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APEC Urged To Establish Regional Free Trade

OW2508094894 Tokyo KYODO in English 0930 GMT 25 Aug 94

[Text] Singapore, Aug. 25 KYODO—An advisory panel for the Asia-Pacific Economic Cooperation (APEC) forum will hand a report to Indonesian President Suharto on Nov. 30, urging APEC leaders to set a concrete goal at this year's summit in Indonesia to establish free trade in the region by 2020.

A copy of the report of the Eminent Persons' Group [EPG], obtained by KYODO NEWS SERVICE, proposes that APEC members begin chopping down their trade barriers from the year 2000.

Industrialized countries in APEC should be fully liberalized by the year 2010, the newly industrializing economies by 2015, while developing nations get a grace period until 2020.

But the proposal on trade liberalization in the almost 90-page report, titled "Achieving The APEC Vision: Free and Open Trade in the Asia-Pacific," is expected to provoke some controversy.

The report said liberalization within APEC as well as the extension of benefits to outside countries should be done on a reciprocal basis rather than unilaterally.

Members will be allowed flexibility to liberalize at a slower pace and "temporarily halt or even reverse liberalization that they have already announced, as a result of import surges or other unexpected effects on their economies."

But those economies would be barred from enjoying trade benefits offered by other members during that period, the report said.

"The largest members, including the United States, are unlikely to liberalize unilaterally when they can use the high value of access to their markets to obtain reciprocal liberalization from others," it said.

APEC, which accounts for half of the world's trade, should also extend its benefits to outside countries only on a reciprocal basis.

"Such an offer by APEC, with its sizable market, would provide a powerful incentive to other countries to reduce their own trade barriers," it said. "An offer to extend all APEC benefits to nonmembers on a reciprocal basis would implement 'open regionalism' in an effective and pragmatic manner."

The U.S. is pushing hard for reciprocity in trade liberalization, but Japan and developing countries are concerned this could amount to trade discrimination.

The report will be high on the agenda for APEC's annual meeting of foreign and trade ministers in Jakarta on Nov. 11-12.

The 16-member EPG was set up two years ago to create a vision for APEC, a 17-member grouping formed in 1989. APEC members include the U.S., Australia, Canada, China, Hong Kong, Japan, South Korea, Mexico, New Zealand, Papua New Guinea, Taiwan and the six-member Association of Southeast Asian Nations (ASEAN).

The EPG devoted much time in the report's beginning to defending its controversial plans for regional free trade and an "APEC community," both of which had come under fire from several Asian members, such as Malaysia, when they were aired in the first EPG report last year.

To avoid further backlash, the EPG report this time has been so carefully crafted so as to coat the bitter pill of harsh trade and investment liberalization with lots of sugar, official sources said.

The report said, "the approach followed by the European community is one that is neither possible nor productive for the Asia-Pacific" and "nothing in this report should be read to imply any interest in emulating the European model." The U.S. sees APEC as a vehicle by which it can rapidly bulldoze trade and investment liberalization in the region, but other APEC members, especially ASEAN countries, are cautious and want APEC to develop at a slower pace comfortable to all.

Most of the controversial ideas in last year's EPG report came from the U.S. EPG member, Fred Bergsten, director of the Institute of International Economics, who is also in charge of drafting the second report.

Concerned with the bilateral trade disputes, the report urged APEC to create a dispute mediation service "as a matter of urgency" to help resolve economic disputes among its members.

It also called on APEC leaders to adopt an "APEC concord on investment principles" to reduce uncertainties affecting trade and investment during the second informal APEC summit in Bogor, outside Jakarta, on Nov. 15.

The report issued a veiled threat, saying any countries that "choose to abstain for even a brief period (from the concord) could be placed at a competitive disadvantage with respect to attracting new flows of investment from abroad."

The report proposed that APEC create a task force to look into the possibility of an APEC agreement on antidumping and restrictive business practices, but "for the longer run, the task force should eventually consider the possible harmonization of competition policies."

On the environment, the EPG report urged APEC members to adopt the "polluter pays principle," in which countries that pollute the environment bear the costs of environmental protection.

Japan

Further on Tokyo, Washington Insurance Talks

Two-Day Talks End

OW2508021894 Tokyo KYODO in English 0158 GMT 25 Aug 94

[Text] Washington, Aug. 24 KYODO—Japan and the United States concluded two days of working-level talks on the opening of Japan's insurance market in Seattle on Wednesday [24 August], with reaffirmations on continued negotiations.

With no press conference held, both sides were silent on the details of the meeting, but sources close to the talks said the two countries discussed ways to liberate Japan's nursing insurance market.

Japan's insurance market is one of three priority areas covered by the bilateral framework trade negotiations.

The two countries are to resume subcabinet-level talks on the two other fields—government procurement and auto and auto parts—in early September.

Talks To Reopen in L.A.

OW2508051994 Tokyo KYODO in English 0509 GMT 25 Aug 94

[Text] Tokyo, Aug. 25 KYODO—Japan and the United States will hold working-level talks on the opening of Japan's insurance market early next month in Los Angeles [L.A.], Finance Ministry officials said Thursday [25 August].

The talks will take place on the occasion of a so-called quadrilateral meeting of Japan, the U.S., Canada and the European Union in the U.S. city, the officials said.

The two countries ended two days of working-level talks on the insurance issue in Seattle on Wednesday.

The officials declined comment on the meeting on the ground that the talks are still under way.

Among the items on the agenda, however, were objective criteria, insurance premiums, and the so-called "third sector" of illness, injury and nursing insurance, they said.

Japan's insurance market is one of three priority areas covered by the bilateral trade "framework" negotiations.

The two countries are to resume subcabinet-level talks on the two other fields—government procurement and autos and auto parts—in early September.

Reports Related to Sheet Glass Issues Continue

U.S. Demand Rejected

OW2408134694 Tokyo NIHON KEIZAI SHIMBUN in Japanese 24 Aug 94 Morning Edition p 9

[Text] On 23 August, the Ministry of International Trade and Industry announced that working-level negotiations on the sheet glass sector under the Japan-U.S. economic framework talks will be held in Tokyo from 30-31 August. The working-level negotiations are likely to face rough sailing over the question of handling objective criteria to measure the openness of the Japanese market. In the upcoming working-level negotiations, the Japanese side intends to make the U.S. side understand Japan's stance on the bilateral trade of sheet glass by explaining that 1) as a result of a Fair Trading Commission survey, no problems have been found with the business practice of the sheet glass market in Japan and 2) Japan cannot accept the U.S. demand for the Japanese Government's commitment to increasing the sales of American-made sheet glass on the Japanese market because such a commitment would be the same as a numerical target.

Nissan Diesel To Import U.S. Glass

OW2508005494 Tokyo NIHON KEIZAI SHIMBUN in Japanese 22 Aug 94 Morning Edition p 11

[Text] Nissan Diesel Motor Co. has decided to purchase sheet glass for car production from major U.S. glass maker Guardian Industries Corporation (in Michigan). The glass will be used for windshields of Nissan Diesel's "Condor" trucks to be exported to North America. Condor is capable of carrying five to seven tons of cargoes. Lately, Toyota Motor Co. has also begun using Guardian- made glass for parts of commercial-use cars. In the sheet glass market, moves to expand purchase of U.S. products have become active.

About 1,000 to 2,000 units of Condor, which will be exported to North America, are produced a year in Gunma factory (in Ota City, Gunma Prefecture). Sheet glass manufactured by Guardian will be imported for windshields of Condor. Nissan Diesel plans to increase procurement of U.S. auto parts to 3.2 billion yen, which is about 1.5 times that of the previous year, by the end of fiscal 1994. In view of a drop in U.S. sheet glass prices resulting from a sharp rise in yen's value, Nissan Diesel thinks that it is very beneficial to it to purchase U.S. products. It will study a plan to use U.S. products for trucks which will be sold on the domestic market.

The issue of Japanese sheet glass market has been brought up for discussion at the Japan-U.S. framework talks. The United States has urged Japan to improve market's exclusionary distribution practices.

Editorial Urges Currency Coordination

942A0605A Tokyo MAINICHI SHIMBUN in Japanese 20 Aug 94 p 5

[Editorial: "Coordinate Currency Policy by Preventing Weak Dollar"]

[Text] The weak dollar, strong yen movement has been rekindled. The official discount rate hike by the Federal Reserve Board (FRB) was supposed to have strengthened the dollar, but it has inspired a move to buy yen.

The German Bundesbank's moves were closely watched, but it took no action on its policy-setting interest rate at its regularly scheduled directors' meeting of 18 August. It appears the Bundesbank is assuming a wait-and-see attitude for the near term.

The Naples summit of advanced industrialized nations failed in its attempt to coordinate policy to prevent a weak dollar. However, foreign exchange markets did not respond with a weaker dollar.

If the situation can be overlooked despite a lack of policy, we could not expect a better scenario. However, foreign exchange markets are sounding a warning through actions such as speculative moves in the European markets and the recent rekindling of a weak dollar. Currency authorities need to exert efforts in the area of policy coordination.

Of special note for Japan is that the expansion in its trade surplus with the United States in June has served as a cause for a weak dollar and a strong yen. The Japan-U.S. economic framework talks, which were initiated last year, have faced difficulties in every sector. There is the possibility that the U.S. Government will invoke sanctions in the event an agreement is not reached by the end of September in the area of government procurement.

Further, Japan may concurrently face designation as a country falling under the Super 301 provision of the comprehensive trade law covering sanctions against countries with unfair trade practices.

Japan-U.S. economic friction has reached an unprecedentedly dangerous level. Both Prime Minister Tomiichi Murayama and Deputy Prime Minister and Foreign Minister Yohei Kono must engage themselves with a greater sense of urgency in an all-out effort to avoid a Japan-U.S. clash.

Foreign Minister Kono has stated that Japan would withdraw from the framework talks if the United States should invoke sanctions in the area of government procurement. We have no disagreement with that position, but the government should exert greater efforts to avoid such a situation.

Past experience indicates that any intensification of Japan-U.S. friction potentially leads to a weak dollar and a strong yen. The U.S. Government has assumed a serious attitude in maintaining the value of the dollar, while a weak dollar poses difficulties. Even for Japan, a strong yen poses problems.

"Objective goals" sought by the United States in an altered form have a significant risk of leading to managed trade, making a compromise difficult. However, if Japan and the United States do not compromise on the major issues, they will probably be adversely affected by the markets in a significant way.

Prime Minister Murayama must exercise leadership to develop a political settlement to avoid such a situation. The Liberal Democratic Party [LDP] must quickly arouse itself from opposition party lethargy and play a major role in seeking a political settlement. It should not assume the passive attitude that some form of resolution will eventually surface by merely delegating responsibility to bureaucrats.

We would like to recognize the official discount rate hike implemented by the FRB as the appropriate measure to prevent inflation and a weak dollar. The U.S. economy is operating at near capacity in terms of employment and factory operating rates. Retail sales figures, exclusive of automobiles, for May and June were revised significantly upward, reflecting the firmness of individual consumption.

In summary, the U.S. economy is stronger than anticipated. Thus, suppressing inflation at an early stage, while sustaining a favorable economy is a positive for the world. The FRB disregarded congressional opposition to a rate hike and displayed its independence and resolve to fight inflation.

The problem is that the dollar is not acting as the currency authorities would like. The dollar's behavior suggests that the situation calls for policy coordination among currency authorities.

We would like to see the establishment of a coordinating system on financial and currency issues at the conference of finance ministers and central bank presidents of the seven advanced industrialized nations (G-7) to be held in the beginning of October. The world economy has improved as a whole. If the yen should weaken in foreign exchange markets, it should serve as a positive for the Japanese economy.

Lower House Members Briefed on Base Issues

OW2308133394 Naha RYUKYU SHIMPO in Japanese 23 Aug 94 Evening Edition p 1

[Text] In a briefing to House of Representatives National Security Committee (headed by Yutaka Kondo) members who are visiting Okinawa on a tour of military bases, Okinawa Lieutenant Governor Masanori Yoshimoto asked the lower house members to help resolve three major issues, including the return of Naha Military Port, by 1995, which will fall on the 50th anniversary of the end of the Pacific War. Referring to the issue of relocating Naha Military Port to Makiminato, the lieutenant governor said some Okinawans are concerned that the military port's relocation would perpetuate the current presence of U.S. military bases on Okinawa, whereas other Okinawans believe that the issue of relocating the military port should be dealt with realistically. The lieutenant governor implicitly expressed the hope that the central government will forward specific plans for the military port's relocation and the coordination of interests among residents involved.

Fourteen National Security Committee members attended the briefing given at a Naha hotel in the morning of 23 August. During his briefing, Lieutenant Governor Yoshimoto pointed out that 75 percent of the U.S. military installations in Japan are concentrated on Okinawa and their presence on Okinawa has caused a lot of trouble for the island's development and peaceful living environment. Lieutenant Governor Yoshimoto then asked the lower house members to help resolve the three major issues in a visible way, adding that the major issues are: the relocation of Naha Military Port, the return of Yomitan Auxiliary Airfield, and the end to live-fire exercises across Prefectural Highway No. 104.

Referring to the relocation of Naha Military Port, which is hitting a snag because of the failure to secure a site, a committee member asked: "I have heard that the military port will be relocated to Makiminato. How is progress in the relocation?" In response, Yoshimoto declined to indicate where the military port will be relocated, but stated: "While Urasoe city is concerned that if the military port is relocated to Makiminato, this would pave the way for the current U.S. military bases on Okinawa to stay forever on the island, some Okinawans are asserting that the issue of relocating the military port should be dealt with realistically."

Explaining the briefing to RYUKYU SHIMPO, Lieutenant Governor Yoshimoto said that "it cannot be denied" that Naha Military Port's relocation to Makiminato has become a reality, but indicated his disapproval of an unconditional relocation of the military port that could lead to a perpetual presence of U.S. military bases on Okinawa. He also said: "We cannot discuss the issue of relocating the military port without an understanding of specific conditions for its relocation. We can no longer leave unresolved the return of military facilities that Japan and the United States have agreed upon on the grounds of the feelings of the residents where the military facilities will be relocated. The Social Democratic Party of Japan [SDPJ], which opposed the Japan-U.S. Security Treaty, now recognizes the treaty. I believe that the coalition government formed by the Liberal Democratic Party and the SDPJ should show the Okinawans a course for developing their communities to prepare themselves for the 21st century. I also believe that the time has come for us to discuss conditions for the military port relocation's to Makiminato."

The Okinawan prefectural government, in an additional briefing to the lower house members, asked them to help bring about an early enactment of "The Military Land Conversion Law," which is under deliberation at the House of Representatives.

Suspension of U.S. Military Exercises Demanded

OW2508042994 Naha OKINAWA TIMES in Japanese 24 Aug 94 Evening Edition p 5

[Text] Kin—Kin Town Deputy Chief Shusei Igei claimed on 23 August that the U.S. forces have resumed guerrilla exercises at Range-5 (jungle area) on Camp Hansen which adjoins water-conservation forests in the Igei District of Kin Town. He asked the Kin defense facilities office of the Naha Defense Facilities Administration Bureau to halt the exercises.

Live ammunition firing and other types of training are conducted on the assumption of a guerrilla war at the training field, which is only less than one km away from residential areas. Since the Igei District (with Masafumi Ikehara as its chief) where the training field is located, and the Kin Township Assembly (with Zenkichi Teruya as its speaker) were worried that live shells might be accidentally fired into houses and water-conservation forests might be destroyed by fire, they adopted resolutions last June, demanding the "immediate suspension of guerrilla training" and "withdrawal of the training field." Under such circumstances, guerrilla exercises had been suspended due to residents' strong opposition.

According to local residents, guerrilla training was resumed around mid-August. When live ammunition firing exercises across the prefectural road 104 were conducted on 23 August, several tens of soldiers with guns conducted guerrilla training.

Murayama To Visit War Memorial in Singapore

OW2508105494 Tokyo KYODO in English 1043 GMT 25 Aug 94

[Text] Hanoi, Aug. 25 KYODO—Japanese Prime Minister Tomiichi Murayama will visit Sunday a memorial for Singapore's civilian victims of Japan's occupation in World War II during his stop at the island republic, Japanese officials said Thursday [25 August].

He will be Japan's first premier to officially visit and lay a wreath at the memorial, a stark reminder of the Japanese imperial army's victimization of Singapore during the war. Murayama arrived in Hanoi on Thursday on his second leg of his tour of four southeast Asian nations that began Tuesday. He first visited the Philippines and is scheduled to go to Malaysia and Singapore.

Previous Japanese premiers bypassed a visit to the 200-foot-tall whitewashed tower, which interns the remains of civilians killed by Japanese troops during their occupation of Singapore between 1942 and 1945. Murayama, Japan's first socialist premier in 47 years, will see the structure shortly after flying into Singapore for a three-day stay until Tuesday. Japanese House of Representatives Speaker Takako Doi laid a wreath at the site Wednesday.

The memorial, in a commercial district on beach road that leads to a highway to Changi international airport, was erected Feb. 15, 1967, to mark the 25th anniversary of Singapore's surrender to Japanese troops. The remains of the victims buried beside the memorial were discovered in February 1962 near Changi beach on the east coast and other places.

Murayama Eager for Early Visit to China

OW2508070394 Tokyo NIHON KEIZAI SHIMBUN in Japanese 19 Aug 94 Morning Edition p 2

[Text] The government will make necessary arrangements so that Prime Minister Murayama can visit China as early as late September. Prime Minister Murayama wants to make known his diplomatic stance of putting special emphasis on Asia by visiting China immediately after his visits to Korea and ASEAN countries. According to President Jiang Zemin, the Chinese side will warmly welcome Prime Minister Murayama's visit to China, but is strongly opposed to a visit to Japan by President Li Teng-hui of Taiwan on the occasion of the opening ceremony of the Asian Games to be held in Hiroshima in October. Although the government is cautious about the invitation of President Li Teng-hui to Japan, some within the ruling parties approve of the invitation. There is a possibility the Murayama administration will be placed in a serious predicament in connection with the relationship between China and Taiwan, depending upon how it handles the matter.

In response to questions by reporters on 18 August in Hakone-machi, Kanagawa Prefecture, where Prime Minister Murayama was taking a rest, he showed a strong desire for an early visit to China by saying, "My visit is not decided yet, but I want to make a visit as early as possible."

The Foreign Ministry claims that former Prime Minister Hosokawa visited China in March this year and is cautious about Prime Minister Murayama's visit to China. According to senior Foreign Ministry officials, "there are views expressing doubts about the necessity of the prime minister's early visit to China in the matter of give and take between one country and another." However, Prime Minister Murayama has conveyed to China his desire for an early visit to China through Chairman Kato of the Policy Research Council of the Liberal Democratic Party [LDP], thus promoting the prime minister's visit to China under the leadership of the government.

The Social Democratic Party of Japan [SDPJ] puts special emphasis on cooperation with China, which is cautious about the UN resolution of economic sanctions against North Korea regarding the nuclear issue. It is said that Prime Minister Murayama wants an in-depth exchange of opinion with the Chinese side concerning this matter. He will also present the general conclusion of the Japanese side concerning the fourth yen credit for 1995.

Meanwhile, a new issue has arisen in connection with the relationship with China due to the surfacing of the problem of inviting President Li Teng-hui of Taiwan to the Asian Games by the Olympic Council of Asia. For the time being, the Foreign Ministry is watching the adjustment among the Olympic Council of Asia, China, and Taiwan, and is cautious about the invitation of President Li Teng-hui to Japan. Given the historical relationship of Japan with China and Taiwan, it is natural, in principle, for Japan to adopt an approach to the matter quite different from other countries, according to Foreign Ministry officials.

However, among pro-Taiwan assemblymen of the LDP, there are views that it is all right to invite President Li Teng-hui on condition that he will not meet with leading figures of the government during his visit to the Asian Games. Shinseito [Japan Renewal Party] within the opposition parties has, for some time, been moving for the strengthening of the relationship with Taiwan. If the prime minister's visit to China is realized, it is absolutely certain that he will be given a warning by the Chinese side, and there is a possibility that the prime minister will be put in a dilemma between China's backlash and Japan's domestic criticism.

Coalition Officials Making 'Pilgrimages' to PRC

OW2508075594 Tokyo ASAHI SHIMBUN in Japanese 24 Aug 94 Morning Edition p 2

[Unattributed article: "Senior Members of the Ruling Parties 'Make Pilgrimages to Beijing' This Summer"]

[Text] Ruling party members, especially senior members of the Liberal Democratic Party [LDP], are visiting Beijing one after another this summer. Reportedly, the main purpose of their visits is to inspect the actual situation of the Chinese economy, which has continued to grow rapidly, and to convey to China the Murayama administration's policy of placing great emphasis on Asia. Following their return to power, it appears that LDP members intend to strengthen their personal connections with Chinese officials, taking into consideration the fourth yen loan program to China, which the both Japanese and Chinese Governments are coordinating to implement beginning FY 1996.

Among ruling party members who visited Beijing this month and who plan to visit there in near future are: House of Representatives Speaker Takako Doi, Sakigake [Harbinger] acting representative Shusei Tanaka, and the following senior LDP members—former Prime Minister Noboru Takeshita, former Prime Minister Sosuke Uno, Policy Research Council Chairman Koichi Kato, General Council Chairman Yoshiaki Kibe, Deputy Secretary General Taku Yamazaki, former Foreign Minister Hiroshi Mitsuzuka, Economic Planning Agency Director General Masahiko Komura, and Yoshiro Hayashi, who chairs the Japan-China parliamentary association. It seems that ruling party members are "making pilgrimages to China."

In noting the reasons why Diet members' visits during the so-called "foreign-tour season" focused on China, a senior LDP member stated: "They are more interested in China than in the United States. While the Japanese-U.S. economic talks have entered an awkward phase, there is great room for economic cooperation between

Japan and China, which is a neighboring major power." Many Diet members are scheduled to inspect cities where the economy is developing rapidly and the special economic zones.

Chinese President Jiang Zemin briefed Mr. Takeshita on details of the Chinese economy during a meeting on 22 August. A Japanese Foreign Ministry official stated: "China strongly expects Mr. Takeshita to coordinate domestic opinions on China's demands concerning the total amount and contents of yen loan projects because he has been involved with the yen loan program from his term as prime minister."

Senior LDP members also intend to confirm China's stand on the DPRK (North Korea) situation. Moreover, they earnestly seek to "help China understand that the Murayama administration is a stable one."

During a series of meetings with Chinese officials, Mr. Kato apologized for former Environment Agency Director General Shin Sakurai's remarks [on Japan's actions during World War II]. By conveying to President Jiang Zemin Prime Minister Tomiichi Murayama's intention to visit China at an early date, he has created conditions for the materializing of a Japanese-Chinese summit meeting.

The Chinese side has also showed consideration for the coalition administration of the LDP, the Social Democratic Party of Japan, and Sakigake. For instance, President Jiang Zemin; Qian Qichen, deputy prime minister and concurrently foreign minister; and other officials allocated time for successive meetings with visitors from Tokyo despite their tight schedules.

Final Emergency Rice Cargo Arrives From PRC

OW2408033194 Tokyo KYODO in English 0252 GMT 24 Aug 94

[Text] Tokyo, Aug. 24 KYODO—The final consignment of foreign rice, imported to make up for the shortage caused by 1993's poor harvest in Japan, arrived in Tokyo on Wednesday [24 August] from China.

The 2,653-ton Sunrise brought 3,100 tons of Chinese rice, the last in a series of emergency imports which started last November.

Over the last 10 months Japan has imported a total of 2,545,000 tons of rice, about a quarter of the country's total demand.

China exported the largest amount of rice—1,072,000 tons—to Japan, followed by Thailand with 753,000 tons, the United States with 537,000 tons and Australia with 183,000 tons.

Japan was forced to import rice due to the severe shortage in its own crop caused by the unusually wet and cool summer of 1993, but in this year's hot weather the harvest will probably be normal.

Moves Behind Beijing-Shanghai Train Project

942A0381A Tokyo ZAIKAI TEMBO in Japanese Jul 94 pp 196-199

[Article by Masato Sakuragi, freelance reporter: "Various People Behind the Scene of Chinese 'Bullet Train Project'"]

[Text] *From National Railways to JR... It has been seven years since the Japanese national railway was placed under private management, and Japan's railway technology has advanced to the point where we want to run the "dream super express" through the land of China. However, behind this project, there are shadows of mysterious brokers and Dietmen.*

While Beijing-Shanghai Bullet Train Line (Shinkansen) Project Is Being Pushed Forward...

"Another mass media company asked me also, but I only possess 150 shares and don't even know what type of business the company is in. I invested in the enterprise only because I was asked by my local friend, and Mr. Teramachi, president of the company, and my younger brother had been best friends," a LDP Dietman, Hajime Tamura, stressed.

"Beijing-Shanghai Bullet Train Project," whose total project cost is 1 trillion yen, covering the distance of 1,400 km, is finally getting started. It is the first high speed passenger train project in China by technical cooperation of JR companies.

"As soon as Chinese Government approves the project of the Ministry of Railways, and the plan becomes a part of Japan's fourth loan in yen, the project can be started. I cannot say for certain, but it is safe to say that the plan is progressing smoothly," Hiroshi Okada, chairman of JARTS [Japan Railway Technical Service]. JARTS is the window for JR companies when they onerously provide technological assistance to foreign countries.

In the midst of all this, in anticipation of the giant project which involves enormous amount of capital, one Japanese company has already tied-up with the Railway Bureau of Shanghai and announced their business development in travel and trade fields. I am referring to "Toyo Dynam" headquartered in Nagoya. The company's president, Kazuo Teramachi, is a younger brother of Hiroshi Teramachi, president of "THK Co., [Japan's top maker of linear motion system]," who has been much talked about in Kabuto-cho [financial district in Tokyo] as a new type of speculator.

Moreover, on the list of the company shareholders, there is the name of Dietman Hajime Tamura. Mr. Tamura is a former Minister of Transportation, and his connection with the bullet train project is drawing attention. We directly asked Mr. Tamura some questions. What we received in return was the statement at the beginning of this article.

Mr. Tamura also said the following. "I did not want to be misunderstood. So, I called Mr. Teramachi and asked him about the project. There seems to be two different projects for Chinese bullet train line. The other project is planned by a company called Ikawa something, and a Dietman from the Tohoku region is involved. Aren't you confusing me with that Tohoku Dietman? There's nothing fishy about what I am doing."

Not only when it comes to currently booming Chinese business, but also when it comes to any "giant project" or "financial aid to foreign countries," we always see shadows of Dietmen. This has become a common knowledge in Japan.

What do "another project for Chinese bullet train line," "a company called Ikawa something" and "a Dietman from the Tohoku region" that Mr. Tamura mentioned accidentally, mean?

The Person Who Initiated The Second Bullet Train Project

On 16 July 1992, morning issue of "YOMIURI SHIMBUN" ran an article on the first page titled "Japan-China Joint Venture Development Base for Chinese Bullet Train Line Construction Between Fuzhou and Amoy [Xiamen in Chinese], JR Aid"

To summarize the content, "JR will give technological assistance to China in the construction of the bullet train line through JARTS. A Japanese private investment firm and Fujian Province, China, have formerly signed an agreement to establish a joint venture company. JARTS staff and Junji Hayashi, a former vice minister of transportation, were also present at the signing."

The company referred to as "a private investment firm" in the article is the company called "Ikawa Trust." Ikawa was founded in November 1991 in Akasaka, Minato-ku, Tokyo, through a buy-up of a dormant golf course company.

The president of the company is a person called Akio Miyamatsu. He owned a rental car company called "Jeisuru" in Akasaka Landick Building, which is at the same address where "Ikawa Trust" is registered.

"'Jeisuru' is originally one of the top rental car companies in Chiba Prefecture, and it had branch offices all over Japan. The company was well-known in the rental car industry. I hear that "Ikawa Trust" was established by joint investment of "Jeisuru" and a person called Masaaki Ikawa, who lives in Hong Kong" (an executive of JR Eastern Japan).

Then, who is the joint investor called Masaaki Ikawa? Again according to the executive of JR Eastern Japan, "It was given out that he operated "Ikawa investment group," which is what we call an investment adviser business in Japan, mainly in Switzerland and Hong Kong. He is said to have a strong connection with high ranking officials of Chinese Government and to have planned first Fuzhou-Amoy [Xiamen] bullet train project."

This sounds like an absurd story. However, it is also true that Mr. Ikawa has a record of positive achievements, such as operating several development projects in Hokkaido with a golf course company and managing a food company.

But there is also a concerned party who says that he felt that "Mr. Ikawa is a strange person." It is the deputy director at "Export-Import Bank of Japan," who received loan request by Mr. Ikawa.

Export-Import Bank's "Document" Which Began To Circulate by Itself

"Approached by the Ministry of Transportation, we agreed to meet with him and hear what he had to say. The first meeting was at the end of 1992. On 23 March 1993, Mr. Ikawa and Mr. Shu Feng (vice secretary of Fujian Province) also met with our executives."

"Export-Import Bank had outwardly pledged to give financial aid to foreign countries in the sum of $35 billion over a period of five years, beginning July 1992. The aid was intended for 'improvement of infrastructure' and 'environmental measure,' and Chinese bullet train project undoubtedly had very good chance of getting a priority treatment from us."

"However, when I asked Mr. Ikawa how he was going to raise 300 billion yen without getting help from Export-Import Bank of Japan, his reply was the following."

"'I am a financial expert. I just have to talk to Swiss Bank, and the money will be raised right away.' I asked, 'Is that really so?' He answered, 'Everybody asks that. But I will be alright.'"

"That cannot be true. There has not been any concrete feasibility study done on this case. No bank will finance such a case. It is hard to believe such a statement came from a 'financial expert.'"

"We were skeptical after this meeting with Mr. Ikawa. We had him investigated through a Hong Kong financial channel. It seems that he does have an office in the Bank of China building in Hong Kong. However, the result of the investigation showed that 'Mr. Ikawa was a man of dreams, but he had a tendency to impose financially on others.'"

The vice director is said to have informed Mr. Miyamatsu, who is the president of Ikawa Trust, that "Mr. Ikawa's existence makes it difficult to go forward with the plan." One piece of document, which this vice director prepared about the same time, somehow began to "circulate on its own" among financial institutions.

"Newspapers reported as if establishment of joint venture company had been already decided. However, in reality, it was only an initial signing. The formal signing was planned for the end of January 1993 when the prospect of funding of the project would be certain. But this schedule became delayed more and more" (Ministry of Transportation related person).

It was then, when the document started to "circulate on its own." This document, created by a wordprocessor on A4 size stationary of Export-Import Bank of Japan, has content which is simply summarized "Chinese bullet train project is worth considering as Export-Import Bank's financing project."

The document is dated 11 January 1993. What draws attention is the fact that this was written to Mr. Miyamatsu from the vice director in charge, and even his seal is on this document.

"I wrote this because I was told at the first meeting with Mr. Miyamatsu that he 'wanted a letter expressing that the Bank would consider the matter positively since it was hard to make trips from China so often.' As you can tell from reading this letter that there is no promise of loan whatsoever" (Export-Import Bank's vice director in charge).

This letter, which looks like merely a greeting, was circulated as if "the decision of loan were only a matter of time."

"It seems that Mr. Ikawa had boasted to the Fujian Government that he could raise 300 billion yen any time. At the beginning, he attempted to get funding from Russia, but I think this attempt failed also. He was talking to various financial channels and trading companies using that document. As a result, even a rumor spread that 'Ikawa Trust was an imitation of M funds'" (an agent of a private credit inquiry agency).

A 'Transportation zoku' Dietman Who Acted As A Go-between For The Ministry

Under these circumstances, the formal signing with Fujian Government was impossible, not to mention fundraising. Finally, "Ikawa Trust" was dissolved in June 1993 and became a company in liquidation completely in August.

"In the fall of 1993, we heard from Mr. Miyamatsu that 'Mr. Ikawa was going to resign from this project.' Mitsui and Co., Ltd. will take over the project, and right now we are going into a full-scale investigation of the project" (Export-Import Bank's vice director in charge).

We visited Mr. Ikawa's Japanese address, but no one seemed to be living there. We could not question Mr. Ikawa himself.

As it stands, "this other Chinese bullet train project" has finally begun to move after changing its form.

It was not only Fujian Government but also the Ministry of Transportation and Export-Import Bank of Japan which got themselves into dancing to the music of a person called Masaaki Ikawa. Why?

"It was Dietman Mr. Michihiko Kano, who acted as a go-between for the Ministry of Transportation, JR, and Ikawa Trust" (MOT related person).

Having established a new party called "Mirai (Future) with four other former LDP members on 18 April [1994], Mr. Michihiko Kano is a topic of conversation. The "Tohoku Dietman" was Mr. Kano who came from Yamagata prefecture.

The MOT related person continues, "Mr. Kano was the Parliamentary Vice Minister of Transportation during the National Railways' reform. This is when a strong connection between the Ministry of Transportation and JR Eastern Japan was established. You may think of Mr. Hiroshi Mitsuzuka, when JR is mentioned. However, Mr. Kano was favored more than Mr. Mitsuzuka who demanded purchase of his party tickets. During July 1993 election, chairman, vice chairman, and president from JR Eastern Japan visited Mr. Kano's campaign office. The depth of their relationship with Mr. Kano is plain to see."

It all started when Mr. Kano, who was more like a "JR Eastern Japan zoku" rather than "Transportation zoku," succeeded former Vice Minister Junji Hayashi. Mr. Mitsuro Ozaki (currently private secretary), who was the chief public secretary back then, also was promoted in earnest.

"I have met with Mr. kano and also talked with Mr. Ozaki several times. However, we were never bluntly asked for a loan. Since we are government affiliated financial institution, there are some politicians who are forceful to us. However, Mr. Kano seemed to consider this matter very seriously as to "How can we make the project succeed as a business?" (Export-Import Bank's deputy director in charge of the case).

There is no rule that prohibits a Dietman from acting as a go-between, and considering that it was a national level financing project, it is only natural that Mr. Kano, who had wide connections with MOT bureaucrats and JR, was consulted. On the other hand there are some who have opinions, such as the following:

"Regardless of who Mr. Ikawa was, Mr. Ozaki and Mr. Miyamatsu of 'Jeisuru,' who were co-investors of 'Ikawa Trust,' were friends, weren't they? Had the business succeeded, the company managed by a friend of Dietman's secretary would have collected consulting fee..." (JR Tokai related person).

Moreover, Mr. Miyamatsu had been frequently visiting the new party "Mirai" office as a "helper" until recently. We asked some questions concerning this.

"I have not seen Mr. Ikawa for about two years. It concerns my friend's privacy, and I do not want to discuss it," was his only reply.

In any case, there may not be any problem, if Fuzhou-Amoy [Xiamen] bullet train project can get the second start by Mitsui and Co., Ltd.'s intervention.

Assistance in Replacing DPRK Reactors Urged

OW2408135694 Tokyo KYODO in English 1210 GMT 24 Aug 94

[Text] Fukuoka, Aug. 24 KYODO—Japan should help North Korea to replace its aging graphite nuclear reactors with safer light-water reactors by creating interim energy sources, a top official of the ruling Liberal Democratic Party (LDP) said Wednesday [24 August].

"Japan, too, must cooperate in North Korea's shift to light-water reactors by providing substiost neeectricity during that period through, for instance, setting up thermal power plants," said Koichi Kato, chairman of the LDP's Policy Affairs Research Council.

Kato voiced confidence that the Japanese people will accept the financial burden resulting from such support "rather than worrying about Asian stability due to the nuclear threat."

The United States and South Korea have promised to provide light-water reactors to replace North Korea's graphite reactors if Pyongyang keeps dy sectionsto freeze the nation's suspected nuclear weapons program.

Light-water reactors produce less plutonium, an integral part of atomic weapons, than graphite reactors.

Turning to the domestic scene, Kato said he does not want the House of Representatives, or the lower house, to be dissolved for a general election before the current term of the House of Councillors ends next summer.

He said if the LDP is not able to nominate its own candidates for all 300 single-seat constitu ofies for lower house elections, it will be ready to field candidates in cooperation with its coalition partners, the Social Democratic Party and New Party Sakigake [Harbinger].

Ogata Terms SDF Dispatch to Zaire 'Breakthrough'

OW2408143694 Tokyo KYODO in English 0826 GMT 24 Aug 94

[Text] Tokyo, Aug. 24 KYODO—Japan's planned dispatch of Self-Defense Forces (SDF) to Zaire to help Rwandan refugees will be a breakthrough in its greater participation in international humanitarian assistance activities, UN High Commissioner for Refugees (UNHCR) Sadako Ogata said Wednesday [24 August].

In a speech at the Foreign Ministry, Ogata said financial aid has always been at the top of Japan's list when extending humanitarian aid, followed by material assistance.

Only a limited number of people participated in international humanitarian activities, she said.

Despite disbursing large amounts of financial aid, Japan's presence during operations to help Kurdish refugees after the Gulf war or people in the former Yugoslavia was small due to a very limited number of Japanese participants, she said.

The government's plan to send about 200 to 300 SDF personnel to Zaire under the humanitarian clause of the Peacekeeping Cooperation Law paves the way for the nation to play an "effective" role in humanitarian assistance, where financial, materialistic and personnel assistance are equally present, Ogata said.

"I think it's a breakthrough," she said. "This year is the first step, but in about a decade or so, I think there will be a great effect."

Touching on the problems of refugees in Rwanda, Ogata said Rwanda's stability and restoration are essential to encourage them to return home from neighboring countries such as Zaire and Tanzania.

She said the UNHCR is talking with the World Bank and other international development assistance organizations about offering aid to restore the country and beef up infrastructure.

Describing the world as facing "turbulent" times, Ogata said the refugee problems also stand at a critical stage, with their numbers and "internally displaced people" growing due to increasing domestic conflicts.

She predicted it will take about another decade before the world's political scene stabilizes and that until then, the refugee problems will continue as a humanitarian woe as well as a threat to global peace and stability.

Ogata, a Japanese national, arrived in Japan earlier this month for a summer vacation. She is to leave Thursday to return to Geneva.

More on Global Population Control Aid Plan

OW2408135194 Tokyo KYODO in English 1300 GMT 24 Aug 94

[Text] Tokyo, Aug. 24 KYODO—Foreign Minister Yohei Kono will present Japan's plan to contribute 3 billion dollars to help solve global overpopulation problems during a United Nations-sponsored conference in September in Cairo, government sources said Wednesday [24 August].

In a speech at the international conference on population and development [ICPD] starting Sept. 5, Kono will say the population issue requires urgent handling.

Kono will call on developing countries to cap their population growth, and urge industrial countries to reconsider their consumption habits and develop environment-friendly technology, according to a draft of the speech.

Kono will also state Japan's eagerness to promote reproductive health, a key issue at the conference, and will call on world nongovernmental organizations to enhance cooperation with governments.

He will pledge to provide comprehensive aid in the form of official development assistance to developing countries for areas ranging from medicine to education to higher status for women.

During his planned three-day stay in the Egyptian capital, Kono may meet with U.S. Vice President Al Gore and Egyptian President Husni Mubarak to discuss aid issues, ministry officials said.

ExIm Bank To Extend 10 Billion Yen to Hungary

OW2508083594 Tokyo KYODO in English 0820 GMT 25 Aug 94

[Text] Tokyo, Aug. 25 KYODO—The Export-Import [ExIm] Bank of Japan announced Thursday [25 August] the signing of an agreement to extend an untied loan of up to 10 billion yen to the National Bank of Hungary.

The money will be used for environmental projects to alleviate air and water pollution in the Varpalota area, Hungary's second largest industrial and sightseeing area, the governmental bank said.

The bank said the loan is its first environment improvement-related loan to an East European country and falls under a government loan program called the Funds for Development Initiative designed to help developing countries.

Tokyo To Give Tanzania 400 Million Yen in Aid

OW2508082594 Tokyo KYODO in English 0804 GMT 25 Aug 94

[Text] Tokyo, Aug. 25 KYODO—Japan will extend to Tanzania a grant-in-aid of up to 400 million yen for the purchase of rice, the Foreign Ministry said Thursday [25 August].

Japanese Ambassador to Tanzania Mitsuru Eguchi and Tanzania's Finance Minister Kighoma Malima exchanged documents on the Japanese assistance in Dar-es-Salaam, the ministry said.

The grant is in response to Tanzania's calls on Japan to help it purchase food, it said. The East African nation is expecting a food shortage this year because of lack of rain.

Takemura Determined To Achieve Tax Reform

OW2408115394 Tokyo KYODO in English 0917 GMT 24 Aug 94

[Text] Tokyo, Aug. 24 KYODO—Finance Minister Masayoshi Takemura reiterated Wednesday [24 August] that a government policy to seek and realize comprehensive tax reform by yearend remains unchanged, despite a tight schedule.

"As Prime Minister (Tomiichi) Murayama has said, we are simply aiming at realizing tax reform within the year through thorough comprehensive discussions," Takemura said at a press conference.

Asked about pessimistic views on bills for simultaneous tax cuts and hikes, Takemura said various opinions will be heard before the coalition parties and government decide a policy.

Takemura said he is expecting results from deliberations by a project team of the ruling coalition parties, despite the tight schedule. The team is to draw up concrete plans by mid-September, after which the government will draft a package of tax reform bills.

The bills will be submitted at an early stage of an extraordinary Diet session expected to be convened in late September.

Takemura pointed to the importance of procedures, saying since the entire nation has an interest in the issue, an earlier conclusion is not necessarily better.

He also said a specific conclusion about administrative reform may be made simultaneously with the tax reform decision.

Reform Policy Expected by 13 Sep

OW2408112394 Tokyo KYODO in English 1113 GMT 24 Aug 94

[Text] Tokyo, Aug. 24 KYODO—A ruling coalition panel on taxation agreed Wednesday [24 August] to write a policy platform on tax reforms by Sept. 13, panel members said.

The decision came as panel members resumed debate over how to reform the nation's tax system, with the issue of how to finance a tax cut next year high on the agenda, they said.

The government implemented a 5.5 trillion yen income and resident tax reduction this year and intends to carry out the same scale of a tax cut next year.

Panel members by and large gave the nod to a plan to implement the tax cut with a combination of a review of the current tax rate scale and an uniform fixed reduction, they said.

Aichi By-Election Seen as Test for Murayama

OW2508050594 Tokyo KYODO in English 0421 GMT 25 Aug 94

[Text] Nagoya, Aug. 25 KYODO—A House of Councillors by-election in Aichi Prefecture on Sept. 11 will offer the first electoral test of the government of Prime Minister Tomiichi Murayama, political analysts say.

The analysts view the Aichi by-election, which was announced Thursday [25 August], as a litmus test for Murayama's political leadership. The results will be seen as a harbinger of the next general election.

Six candidates formally announced their candidacies as of Thursday morning.

The general election for the House of Representatives, when it is called, will be the first held under Japan's newly reformed electoral system.

The analysts also said the by-election will presage the next House of Councillors election, to be held in 1995.

The Aichi vote will be held to fill a vacancy created last month when lawmaker Shoji Shinma, a member of the House of Councillors, lost his seat after the Supreme Court rejected his final appeal of convictions under the Election Law.

The Aichi lawmaker was found guilty by a lower court of falsifying his academic record during a 1992 election campaign.

Both the ruling and opposition coalitions are paying keen attention to the Aichi race because of the broader implications of the outcome. Both coalitions have fielded single candidates, rather than allowing each participating coalition party to choose their own as might have been the case in a less critical election.

The Aichi by-election is expected to be a showdown between Jiro Mizuno, 48, a former United Nations official, who is supported by the ruling coalition and Yuzuru Tsuzuki, 43, a former Labor Ministry official whose support comes from all the opposition parties except the Japanese Communist Party (JCP).

The JCP has fielded its own candidate, Yoshinori Omura, from the party's local echelon.

Also in the Aichi race are two independents, Tsuyoshi Makino and Makiko Suehiro, and Sakae Shirai, leder of the Kokuminto Party.

Analysts said the Aichi election will show any weaknesses within the governing coalition. In order to win the election, the Liberal Democratic Party (LDP) and Murayama's Social Democratic Party (SDP) will have to subordinate individual party differences over the choice of candidate and election strategies.

The LDP and SDP toppled former Prime Minister Tsutomu Hata's government in June by striking an alliance that enabled the two long-standing enemies to claim a parliamentary majority.

The Aichi by-election will also test the new party that the opposition coalition is trying to cobble together to challenge the LDP-SDP coalition. The opposition coalition hopes to regain some of the political momentum which was lost after its defeat by the LDP-SDP coalition under Murayama.

Mizuno's supporters hope that a victory will strengthen Murayama's political standing, while Tsuzuki's supporters regard the election as a test for the planned new party.

No Biased Reporting on General Election Found

OW2508034394 Tokyo KYODO in English 0252 GMT 25 Aug 94

[Text] Tokyo, Aug. 25 KYODO—Asahi National Broadcasting Co. (TV Asahi) has completed an in-house investigation that clears the company of allegations of biased reporting on a general election in July last year, industry sources said Thursday [25 August].

The investigation was launched following charges that a TV Asahi executive ordered his staff to report the general election in such a way that the then ruling Liberal Democratic Party (LDP) would lose.

The final report will be submitted to the Posts and Telecommunications Ministry next week, according to the sources.

The ministry, which had granted a conditional five-year license to the private broadcasting company in November, is expected to settle the issue by only giving a warning to the company, they said.

TV Asahi Executive Sadayoshi Tsubaki resigned from his post following reports of his remarks at a meeting in September last year of the National Association of Commercial Broadcasters.

According to a transcript of the remarks presented to a Diet committee by the association, the former TV Asahi news bureau chief said, "I told (my staff) 'right now we should by all means block the continuation of LDP rule. Anything is OK, so shouldn't we report in such a way that helps put in place a non-LDP coalition government?' Of course this wasn't an order."

But the TV Asahi report concluded that Tsubaki did not order his staff to slant election news against the LDP and there was no "politically partial" news reporting.

Following a SANKEI SHIMBUN report on the transcript, angry LDP politicians accused Tsubaki of violating a law requiring fair and impartial reporting of politics and elections.

The July general election resulted into a victory of non-LDP parties and the birth of a coalition government, led by former Prime Minister Morihiro Hosokawa, as the LDP failed to win a majority of seats in the House of Representatives.

New Training System for Reserves Proposed

OW2508060794 Tokyo NHK General Television Network in Japanese 1018 GMT 24 Aug 94

[Announcer-read report over video; from "News 7" program]

[Text] The Self-Defense Reserve [SDR] is gaining credibility as an inexpensive way to maintain our forces, especially since the defense budget is not getting any bigger. Today, we look at the SDR system.

[Begin Social News Department reporter Noriaki Fujimoto recording—video shows SDR members training] Earlier this month, the Ground Self-Defense Forces [GSDF] were training at Kitafuji, Yamanashi Prefecture, but there was something different about the training. The trainees looked old enough to be veterans and they were being trained by younger men.

The training program was not for soldiers on active duty, but for reserves. They are in civilian jobs and are called up in case of emergency. Reserves are drawn from among retired SDF personnel. They are required to undergo training only five days a year, so they are not expected to move like active soldiers. There are other problems—their average age is 40, and some have trouble taking time off work to train.

On 12 August, the Advisory Group on Defense Issues submitted a report to Prime Minister Tomiichi Murayama urging him to study the introduction of a new system for utilizing the SDR with better training programs to smoothly reduce the size of the Self-Defense Forces [SDF].

U.S. forces are also making full use of their reserves as an inexpensive way to maintain the armed forces at a time when both the size of the defense budget and the number of career soldiers are being reduced. This year, the U.S. Army Reserve participated in Japan-U.S. joint military exercises.

Now that arms reduction is a world trend, many countries are trying to maintain their reserve forces on the same scale with, or even larger than, the active duty forces. Japan's SDF has 46,000 reserves and the number is still 30 percent of those in active duty. [end recording]

[Begin Tsuneo Isojima, director of the Ground Staff Office Plans and Operation Department, recording] When regular forces are reduced, reserves have to be increased to maintain the total manpower. Improvement of the reserve system is important to reducing risks associated with SDF manpower reduction. [end recording]

[Begin Fujimoto recording] When training programs for the SDR are reinforced, the members will face difficulties in attending the programs as each of them has his or her own job. Hereafter, the government will be required to map out tangible measures for overcoming difficulties in SDR reform. [end recording]

Agency To Lower Price of Chinese, Thai Rice

OW2408141294 Tokyo KYODO in English 1205 GMT 24 Aug 94

[Text] Tokyo, Aug. 24 KYODO—The Food Agency said Wednesday [24 August] it will lower wholesale prices of rice imported from Thailand and China from Friday.

The agency said the price cuts are intended to reflect the results of tenders held for wholesalers on Aug. 1. Japan imported rice from Thailand, China, the United States and Australia to make up for supply shortagetusesulting from a poor harvest last year.

The agency said the price of polished Thai rice will be lowered by 47 percent to 6,392 yen per 60 kilograms from the present 11,992 yen, bringing it to about 30 percent of domestic rice prices.

The agency said the price of unpolished northeastern Chinese rice will be brought down 27 percent to 8,996 yen per 60 kg from the present 12,334 yen.

The agency, however, said prices of U.S. and Australian rice will be raised 2 percent and 9 percent, respectively, because of strong consumer demand.

The price of unpolished Californian rice will be raised to 14,442 yen per 60 kg from 14,191 yen and that of Australian rice will be boosted to 14,554 yen from 13,388 yen, the agency said.

The agency said prices of rice for processing will also be reduced by 10-20 percent.

The government stockpile at the end of July included 500,000 tons of Chinese rice, 160,000 tons of Californian rice and 270,000 tons of Thai rice.

Report Details Effects of Drought on Nation

OW2308140094 Tokyo KYODO in English 1102 GMT 23 Aug 94

[Text] Tokyo, Aug. 23 KYODO—The Japanese archipelago has all but withered under one of the worst droughts in its recent history this summer as a record 4.87 million people are only receiving tap water part of the day, the Health and Welfare Ministry said Tuesday [23 August].

The water rationing is affecting 4 percent of Japan's population of 124 million in 121 cities, towns and villages in 24 of Japan's 47 prefectures, and the number of people affected has topped the previous record of 4.57 million set during a drought in 1978, ministry officials said.

Combined with an additional 5.55 million people who have 24-hour tap water but with reduced water pressure, the total number of people affected by the water shortage came to 10.42 million in 31 prefectures, they said.

The drought has also caused major damage to agricultural and livestock industries, among which total damage has come to more than 10 billion yen, government officials said.

The government convened a meeting of officials Tuesday from 14 ministries and agencies to discuss the drought situation, and they determined that water rationing for agricultural, industrial and other uses should be continued, the officials said.

Recent typhoons brought much-needed rain and relief to much of the Japanese archipelago in late August, but the country is likely to experience more hot and dry weather in early September, the Meteorological Agency said.

The agency announced last week that the nation is experiencing its "hottest summer" since the end of World War II.

NEC To Sell IBM-Compatible Servers

OW2508044494 Tokyo KYODO in English 0408 GMT 25 Aug 94

[Text] Tokyo, aug. 25 KYODO—In a reversal of its independent business stance, NEC Corp. will market in Japan a server compatible with computers of International Business Machines Corp. (IBM) of the United States, NEC officials said Thursday [25 August].

NEC will introduce the IBM-compatible Pentium server, which has already been marketed overseas, in place of its own Unix server, the officials said. They added the company has yet to determine prices for the new server or the date to begin selling it.

A server is a computer that provides services to another computer called a client. Relatively cheap, client/server systems have been quickly replacing host computer-centered systems at offices and factories.

NEC is alone in serving self-developed servers in Japan while other major domestic computer makers have shifted to products compatible with IBM machines, virtually the global standard.

The major policy shift is designed to give users of NEC computers easier access to overseas networks dominated by IBM-standard computers, industry sources said.

NEC also aims to reduce costs by procuring cheap IBM-compatible machine parts made in Taiwan and other Asian countries amid cut-throat price wars with rival makers, they said.

The NEC officials said, however, the company will continue to "go our own way" in personal computers.

NEC's PC98 series personal computers have constantly held more than 50 percent of the Japanese market.

MITI Council Report on Industrial Finance

942A0415A Tokyo TSUSANSHO KOHO in Japanese 2, 3 Jun 94

[Text of Ministry of International Trade and Industry (MITI) Industrial Policy Bureau report: "Interim Report of Industrial Finance Subcommittee"; dated May 1994]

[2 Jun 94 pp 5-12]

[Text] **Chapter 1. Basic Perception**

A look at the current global economic situation reveals the economy is expanding strongly in the United States with spectacular recovery and expansion in industrial vitality, while industry is in the process of growing rapidly in China and countries of Asia. Amidst that scenario, our nation's economy has been faced with a prolonged recession and the future outlook remains clouded. It is said that the economic doldrums are an element of short-term economic cycles as well as a manifestation of a maturing of existing industries and a stalemate in social economic systems on which our nation's economy has been dependent such as capital formation systems for businesses and past employment practices. Further, as our nation's economy shifts to a stable growth period, the public's value concepts become diversified and the nation positions itself to become a leader of the world economy, the environment which influences Japan's industry is undergoing a major change in such ways as the intensification of the indefinite qualities of business activities. Such environmental changes face Japan as its industry undergoes a difficult situation which can be referred to without exaggeration as being unprecedented in its postwar economic development.

There is a requirement for additional management efficiencies and structural reforms, if Japan's economy is to overcome its closed nature, maintain energetic growth based on internal demand, deploy active business activities and create employment opportunities as it moves toward the coming 21st century. Of special note is that increasing expansion of our nation's industries will require as an indispensable condition that businessmen with strong frontier spirits aggressively challenge unexplored sectors, create new businesses, and develop new industrial sectors based on creative concepts.

The industrial world has undergone a variety of actions such as reviews of industrial sectors, organizational reform, improvement of procurement, management improvements, including personnel reductions and organizational changes, but such actions still require further improvements in financing procedures. Financing is a very important element of business management, and nimble operational deployment of business activities responsive to changes in the operational environment requires improved efficiencies and diversification in financing methods. Such measures will require the development of a variety of financial products and the early and additional improvement of capital markets, including development and improvement of corporate bond markets. Improvement of capital markets will contribute to the thorough enforcement of market mechanisms and enhance efficiencies in capital procurement through financial intermediaries and improve the efficiency of the economy as a whole through appropriate competition among the various financing methods.

The supply of capital is of major importance in organizing a new business. In the United States, so-called venture businesses are actively created and lead to the development of new industries, but a system of capital procurement and diversification of risk through capital markets has contributed significantly to the development of new businesses of that nature. The effective and efficient channeling of capital to new businesses for the creation and growth of new industries in Japan, which leads in excess capital formation, will require the establishment of systems that ensure returns commensurate with risk and the early establishment of capital markets which can accommodate such systems. The increased activity in investment of excess capital in new forms of businesses will not only contribute to the building of a base for future expansion, but can be relied on to assist in the structural reform of Japan's economy as a whole through an improvement in the balance between savings and investment.

The financial and capital markets provide an important infrastructure for industry and there is a need to seek increased efficiencies in financial and capital markets through measures such as the promotion of competition in the process of enhancing efficiencies in the economy and industry as a whole. The Industrial Finance Subcommittee has published recommendations on efficiencies in Japan's financial and capital markets from the perspective of the industrial world, but the importance of working on improved functioning of financial and capital markets from the standpoint of the user is of increasing significance when considered on the basis of environmental changes discussed earlier in this article.

Based on the fundamental perception discussed in the preceding text, the following Chapter 2 will cover recommendations centered on methods to diversify and improve the efficiency of raising capital by the industrial sector; Chapter 3 will cover recommendations on methods to develop new businesses from the standpoint of human resources and social environment with capital playing a central role.

Chapter 2. Methods To Improve the Efficiency of Raising Business Capital

Section I. Changing Environment Concerning Industrial Financing and Establishing Environment for Improving and Expanding Financing Methods

A. Changing Environment for Industrial Financing and Necessity for Diversification of Financing Methods and Improving Efficiency of Raising Capital

1. Changing Environment for Industrial Financing

a) Trends in Demand for Capital

It appears that business demand for capital will remain slow in the midst of prolonged economic stagnation and major changes in Japan's economic structure, because of the lack of a serious recovery in the near term for private-sector capital investments, reduced activity in the area of corporate "financial engineering" because of the collapse of the bubble and subsequent deterioration in cash flow, and the final prospects for resolving the issue of redemption of convertible bonds. However, as the economy shows signs of a solid recovery, we can expect a gradual increase in businesses' capital needs.

b) Structural Changes in Japan's Economy

It will be indispensable to arrange for increased efficiencies in the raising of industrial capital through enhanced efficiencies in Japan's financial and capital markets which serve as important infrastructure to enable Japan's industry to maintain vitality and international competitiveness while it responds flexibly to major changes in our nation's economic structure involving the maturity of personal consumption, diversification of the public's value concepts, and increasing technical and demand uncertainties associated with Japan becoming a front-runner in the global economy. The importance of financial and capital markets as elements with a major impact on influencing the economy as a whole dictates that the study of actions to be taken on issues reflect sufficiently the views of financial institutions as well as users of the markets, such as industry and investors.

c) Changes in Risks Accompanying Changes in the Economic Structure and Changes in the Operation of Financial Intermediaries

Promotion of efficiency in Japan's financial and capital markets will be based on the efficient operation of risk-taking and risk diversification, which are original functions of the financial and capital markets. Overall strong growth trends in the Japanese economy previously gave birth to the idea that business risks were alleviated by expansion in economic scale or the idea that it was relatively easy to handle the nature of risk. However, the shift to a slow-growth economy has caused a qualitative change and expansion in the nature of the risk which must be handled by the financial system in connection with a shift from a capital-surplus to a capital-deficient economy, and it has dictated the need to enhance the loan-making capabilities of financial intermediaries and to review, expand, and diversify methods to spread risks dependent primarily on financial intermediaries from the standpoint of pursuing greater efficiency in the status of risk-taking for Japan's economy as a whole. On the other hand, financial intermediaries show signs of being able to provide an appropriate supply of capital from the public economic standpoint and reflect the necessity to establish financial liberalization and global competitiveness in shifting emphasis on operational policy from "quantity" to "quality" in handling loans. Additionally, risk-taking capabilities of financial intermediaries have declined because of the bad debt problem and mention has been made that considerably more time will be required for the disposition of the bad debt issue. Such conditions call for financial intermediaries to enhance risk-assumption capabilities and require expanded measures to diversify risks by improving financing methods in the capital markets through direct financing.

d) Globalization of Business as One Phase of Structural Change

Japan's business activities have become increasingly globalized, and capital procurement and management have also become increasingly globalized. Such capital procurement and management in international markets by Japan's businesses are being handled in the form of securities, but, despite progress in recent years in improving the capital procurement and management methods in Japan's financial and capital markets through direct financing, such methods are still inadequate in comparison to those of most European and U.S. markets, dictating a need to work on the improvement of capital procurement and management methods with a view to "financing through the sale of securities."

2. Diversification of Financing Methods in Response to Changes in Environment and Need for Enhanced Efficiency in Raising Capital

a) Diversification of Financing Methods Through Direct Financing and Enhanced Efficiency in Raising Capital

Financing methods from capital markets for large businesses have been improved to a certain degree.

However, in view of changes in the industrial financing environment discussed above and in consideration of a) expected expansion in demand for capital accompanied by future economic recovery, b) expansion in the search for direct financing methods based on changes in Japan's economic structure and qualitative changes and expansion in risks associated with the supply of industrial capital, and c) plans by businesses to seek capital procurement and availability at lower costs on a permanent basis, there is a need to seek increased diversification and efficiency in capital procurement methods from capital markets for businesses in the future from the current stage when capital demand is slow. Further, such diversification and enhanced efficiencies in direct financing methods should lead to improved efficiencies in indirect financing and efficiencies in the overall economy of Japan through the promotion of competition among the various financing methods.

Additionally, diversification of financing methods, including establishment of direct financing methods as an option, are extremely important for small and medium businesses where risks are relatively high for new firms.

b) Increased Enhancement of Indirect Financing

Even in those cases where direct financing has been diversified and enhanced in efficiency in terms of financing methods, indirect financing should continue to play an important role in industrial financing. Accordingly, efforts must be made to enhance efficiencies in indirect financing services through effective competition within individual loan services and by increasing the potential for competition among the separate loan services.

B. Diversification of Financing Methods in Capital Markets and Establishment of Environment To Enhance Efficiency of Financing and Applicable Plan

1. Basic Concept

a) Need for Comprehensive Deregulation Based on Philosophy of Fundamental Freedom

In capital markets, investors assume direct risks in accordance with the volume of securities held, which is determined on the basis of rates of return reflecting a fair valuation of risks inherent therein, but, because of residual controls, this market function is not necessarily adequately reflected in Japan's capital markets. Accordingly, we should promote establishment of an environment to develop capital markets capable of handling risk diversification functions by implementing comprehensive deregulation based on the philosophy of fundamental freedom, including the development of corporate bond markets capable of absorbing diversified credit risks based on the abolishment of bond qualification standards. Mention has also been made of the need to study the status of regulations which restrict the use of capital once it is raised.

b) Thorough Enforcement of Individual Accountability Rule for Investors

In the past, issuance of corporate bonds was limited to blue chip firms with high credit ratings based on bond qualification standards, which provided investors with a certain degree of protection. However, in the future, establishment of capital markets based on market mechanisms dictates the indispensability of converting the status of investor protection from the uniform regulation of the past to one in which the principle of individual accountability is thoroughly enforced by improvements in disclosures and codes of conduct ensuring the maintenance of fair trading practices.

c) Review of Status of Disclosure

It is necessary to improve the ability of markets to monitor business operations at the same time that thorough enforcement and use of market mechanisms are taking place to provide for the rational and efficient raising of capital in the capital markets. It is necessary to perform an early review of the status of disclosure from that perspective, because information disclosure is a prerequisite for attaining efficient markets.

2. Detailed Plans

a) Improvement of Financing Methods Through Product Diversification

It is important to promote product diversification in order to further improve industrial financing methods. In this respect, consideration should be given to commercial paper (CP) in terms of diversifying products by introducing CP guaranteed by parent firms and relaxing qualifying conditions and diversification of effective period in the issuance of CP by special-purpose companies, and to corporate bonds in terms of early introduction of medium-term notes to diversify financing methods and measures to provide liquidity of assets through asset-backed securities which consider the locality of the issuing firm's requirements.

b) Development and Improvement of Corporate Bond Market

Companies will be afforded the potential of raising capital at any time and at appropriate costs through the issuance of corporate bonds through active corporate bond markets which enable investors to dispose of corporate bond holdings at any time and at appropriate prices and through the promotion of rational issuing conditions, including the formation of appropriate market values. These considerations dictate the early development and improvement of corporate bond markets.

c) Expansion of Investment Trust Systems

When consideration is given to the future prospects of investors' increased reliance on institutional investors and the use of investment trusts by investors to diversify risks while investing in capital markets, the healthy growth of capital markets as a means of raising capital is desirable from the standpoint of industrial financing. Sound growth of the investment trust system calls for increased disclosure of trust operations, expansion of types of products offered, and better availability of methods and agencies providing comparative data on investment trust performance.

Further, hope is placed on increased efficiencies in industrial financing through enhanced efficiency of capital distribution based on improvements in the management capabilities of institutional investors who handle life insurance and investment trust funds.

d) Status of Tax System Established To Provide Efficient and Smooth Capital Procurement

The current tax system is the target of several criticisms in terms of problems posed in the efficient and smooth procurement of capital, such as the securities transaction tax and the limited tax-exempt provisions for private-sector foreign bonds, creating the need to review the status of the tax system in consideration of such criticisms.

C. Status of Desirable Indirect Financing

1. Outlook for Role To Be Played by Indirect Financing

Even if direct financing provides improved and efficient financing methods, diversification and enhanced efficiency offered by indirect financing services responsive to businesses' capital needs will continue to play an important role in support of small and medium as well as large businesses.

2. Response to Bad Loan Issue

Enabling financial intermediaries to respond flexibly if demand for capital rises because of future economic recovery will require financial intermediaries to effect early disposition of bad loans through self-help efforts.

3. Enhancement of Business Examination Capabilities of Financial Intermediaries

Even in the future, financial intermediaries will be expected to conduct themselves in a positive manner to contribute to the active growth of the Japanese economy. That perspective dictates that financial intermediaries endeavor to increasingly enhance their business examination capabilities to determine accurately the nature and future growth potential of businesses to measure credit worthinesswithout undue emphasis on material collateral so that businesses and projects with a future can be offered increasingly enhanced capital to include interest rates appropriate to their credit standing. Under those conditions, financial intermediaries that specialize in regional retail operations should establish an environment in which it is not only desirable but feasible to provide services of a unique and especially delicate nature to regional industries without being restricted by the perception of offering "copycat" services.

4. Enhancement of Financial Industry's Global Competitiveness

Further, financial institutions must boost their strength through increased promotion of competition to enhance their global competitiveness. It is believed that such actions will lead to higher efficiency in the procurement and management of capital by users who are not members of the financial industry.

D. Status of Guidance Policy Financing

Guidance policy financing calls for thorough consideration of its role in the national economy through the continuous conduct of loan projects, such as measures for small and medium businesses, investments in research and development, new venture investments and improvement of social capital by private-sector entrepreneurs, determining sectors where private financial institutions cannot adequately assume risks, and providing capital on a priority basis to sectors requiring special provision of capital from a policy perspective to provide for the need to reinforce the trend toward playing an "auxiliary role in support of private-sector loans."

The following section covers financing methods in capital markets, especially a review of the important issue of disclosure of corporate information, plans for development and improvement of corporate bond markets, and issues concerning tax systems from the perspective of industrial financing.

Section II. Disclosure of Corporate Information

A. Significance of Information Disclosure

1. Information Disclosure Premised on the Enhancement of Market Mechanisms in Capital Markets

In the past, issuing firms were limited to corporations with high credit ratings based on bond qualification standards and, as can be seen in the common practice of underwriting firms buying back of defaulted bonds, a variety of controls and customs imposed relative limits on risk diversification through capital markets. Such conditions limited perceiving the need to disclose corporate information.

However, progress in deregulating and globalizing financial systems and formation of efficient capital markets require changes in the status of uniform regulations to protect investors and render indispensable the principle of individual accountability of investors based on independent investment decisions. Further, adequate functioning of the capital markets' original role of risk diversification will require realistic functioning of market forces through increasingly rational formation of returns that are commensurate with risks.

Disclosure of corporate information is an important prerequisite for investors to make investments based on the principle of individual accountability and for the establishment of more smoothly functioning capital markets providing market mechanisms enabling increasingly rational and efficient corporate financing.

Further, as investor interests are emphasized and as the principle of the investor's individual accountability becomes pervasive in the market place, it is expected that it will become difficult for corporations to procure capital without the voluntary disclosure of information as sought by capital markets. Such a perspective necessitates that corporations establish systems which enable them to respond positively to information disclosure needs in contrast to the past.

2. Information Disclosure Premised on Enhanced Management-Monitoring Functions of the Market

In the future, investors' awareness as stakeholders will intensify and demands will increase for emphasis on investor interests, imposing higher financing costs from capital markets on corporations with inefficient management, and causing market mechanisms to function so that corporate performance is closely reflected in financing costs. In that sense, it is hoped that the future efficient management of corporations can be promoted through the management-monitoring function of the market mechanism reflecting financing costs. The importance of information disclosure increases from this particular standpoint alone.

3. Demand for Global Compatibility

a) Need for Global Compatibility

As Japan's financial and capital markets and its corporate activities become globalized and as the smooth performance of corporate financing and operational deployment projects are sought, it becomes necessary to seek global compatibility in information disclosure systems.

b) Coordination With Japan's Accounting Standards and Consideration for Disclosure Costs of the Issuing Firms

On the other hand, in seeking improvement in information disclosure and global compatibility, there is a need to consider the disclosure costs of issuing firms in improving existing systems and to coordinate changes with Japan's accounting standards in the interests of preserving continuity in accounting standards.

B. Basic Ideas on the Status of Information-Disclosure Systems

1. Nature of Information Disclosure Under the Securities and Exchange Law

a) Change in Class of Investors and Review of the Status of Information Disclosure Which Responds to That Change

In recent years, the proportion of institutional investors in capital markets has increased and this trend will continue in the future, while the percentage of individual investors investing directly in the capital markets will probably continue to decline. On the other hand, information disclosures have become complex and sophisticated based on the complex nature of economic activities, and the situation is such that it is difficult for the individual investor to comprehend all of the corporate information made available to the public.

Ensuring smooth and efficient handling of industrial financing requires a study of disclosure methods and contents while providing for equality in information access by ensuring appropriate disclosure of necessary information to specialists such as institutional and individual investors, in order to provide information that is responsive to changes in investor class and in a form in which corporate operations are easily understood by investors.

b) Direction of Improvements

There is a need to constantly review the status of information disclosure under the Securities and Exchange Law from the standpoint of whether genuinely necessary information is being adequately released to specialists of institutional investors. Further, in such instances, consideration must be given to the considerable progress made in improving information disclosure in recent years and that action has not been taken to legally obligate corporations to uniformly disclose information of limited value to institutional investors, causing an undue burden upon corporations.

On the other hand, individual investors must be given information which they can use in making investment decisions in conformity with the principle of individual accountability. The status of information disclosure should be reviewed from this perspective.

2. Improvement of Investor Relations (IR)

Corporations must focus on the fairness of information offered to investors and must not restrict themselves to the scope of disclosure required by the Securities and Exchange Law in conducting IR activities by voluntarily disclosing information on corporate performance and future management plans. In this respect, a strong view exists on the part of investors on the necessity to actively disclose mid- and long-term operating plans, capital investment plans, and investor return on investment policies such as dividend policy.

3. Improvements in Information Dissemination Services Such as Those of Rating Agencies and Securities Analysts

Rating agencies and securities analysts provide disseminating and analytical roles relative to investment information used by investors, but there is a need for additional improvements in this service. Of special note is that individual investors who are limited in their ability to comprehend and assess information offered have a need to have such investor assessment capabilities augmented, indicating the importance of improving the performance of rating agencies and securities analysts.

The topic of ratings should involve an effort by securities-issuing corporations to obtain ratings from several rating agencies, a stepped-up effort by market sources to ensure widespread use of rating systems, and an effort by rating agencies to enhance the reliability of ratings and the use of ratings by increasing the transparency of rating standards and improving assessment capabilities. There is also the need to reinforce the capabilities of securities analysts by boosting their independence.

C. Principal Issues Concerning Current Accounting Systems

1. Changes in Corporate Situations and Need for Study on the Status of Information Disclosure

Globalization of corporate activities and development of new financial products in recent years have created a situation in which information disclosures based on past disclosure standards cause difficulties in adequate comprehension of corporate status, thus dictating information disclosure which is responsive to such situational changes.

Such perspective has given rise to discussions on the status of disclosures concerning current market values, consolidated accounting information, and off-balance-sheet transactions. These problem areas were the subject of previous efforts to improve disclosure, but work still remains in resolving problems with residual issues.

2. Introduction of Market Price Accounting and Disclosure of Market Price Information

a) Necessity for Review

Among the topics, disclosure of information on market price (introduction of market-price-based accounting and disclosure of market-price information through footnotes) has been debated in the past from the standpoint of achieving transparency in corporate management; recently, the occurrence of paper losses owing to declines in stock prices has increased the need for investors to obtain market-price information. Further, debate is currently under way to provide for market-price assessment of short-term financial assets and liabilities in connection with a study on international accounting standards, imposing the need to continue a review of the status of information disclosure on market prices.

b) Evaluation of Market Price Accounting

According to Japan's asset valuation standards, the basic rule is to use acquisition value. Since the acquisition value principle calls for measurement of cost based on outside transactions, it is considered as reflecting a certain degree of logic in the computation of profit and loss.

In contrast, market-value accounting: a) reflects the theoretical problem of possibly being in violation of reality because unrealized profits are accounted for as having been realized; b) reflects the technical problem that there may be situations when the objective market value is difficult to hypothecate; c) reflects the problem that taxable values may be affected by changes in asset values under the principle of final settlement. Any study of market-value accounting must adequately consider such problems.

c) Improvement in Disclosure of Market Values

However, improvements in information disclosure as prerequisites to the thorough enforcement of investor's individual accountability principle and improvement in management-monitoring functions of capital markets require the disclosure of market-value information. Accordingly, in those cases where fair and appropriate market values can be calculated, arrangements should be made to improve disclosure of market value information that is covered under the current footnoting method [which requires disclosure in the form of footnotes, rather than in the body of the statement itself] considering the costs associated with disclosure.

D. Problem Areas Concerning Disclosure of Information Relative to Issuance of Corporate Bonds and Stocks

1. Corporate Bond Issue Registration System

a) Relaxation of Standards for Use of Issue Registration System

Standards for use of the corporate bond issue registration system were relaxed under an amendment to the law in July 1992, but the relaxation should be expanded from the standpoint of providing for greater efficiency in corporate financing and expanding the number of corporations that can use the issue registration system.

Section 5, Paragraph 3, Item 2, of the Securities and Exchange Law, which reads, "Information is already widely available among the public," which is a requirement for using the issue registration system requires, as an example, a) issuance by more than one rating agency of ratings higher than A and b) a record of having issued ordinary collateralized bonds. However, such requirements are considered susceptible to being revised to read: issuance of ratings of investment-grade bonds of a BBB rating by more than one rating agency or experience in issuing corporate bonds in the country; indicating standards for the use of the issue registration system should be revised to allow for use of the system in the latter case.

Further, use of the current issue registration system is not allowed in the case of over-the-counter (OTC) listed stocks, but it is desirable that they be permitted to use the system within a certain scope.

b) Establish Flexibility in the Period Covering the Effectiveness of Financial Statements

In those instances where the issue registration system cannot be used, the Securities and Exchange Law requires the filing of a financial statement and stipulates that the filing become effective within 15 days (within seven days if certain necessary conditions are satisfied). The provision of efficient corporate financing will require that the effective period for issuance of corporate bonds upon filing of financial statement is not uniformly fixed, but set so that it can be flexibly fixed within a set period in consideration of market conditions.

2. Stock Issue Registration System and Disclosure Period Prescribed by Commercial Law

An examination should be conducted on the relaxation of standards for the use of the stock issue registration system.

Further, Commercial Law requires provision for more than two weeks from the time of the public notice of the offering or from the date of notification to current shareholders to the date of payment in the issuance of new stock and there is the potential that prices may undergo a major change between the time the issue price is determined on the basis of market price in connection with the issuance of additional stock until the new stock is listed which follows the date of payment, thus posing an obstacle to smooth and efficient financing by corporations through the issuance of new stock. The period prescribed between posting of public notice for offering of stock or notice to existing shareholders until date of payment for issuance of new stock under Commercial Law should be shortened as much as possible.

E. Actions Under International Accounting Standards

As progress is made in the globalization of corporate activities and financial and capital markets of Japan, there should be an increasing need to enhance the global comparison of financial data and management performance and a strong demand for global compatibility of accounting standards in international financing situations. In performing studies on such international compatibility, sufficient evaluation must be made of the accounting standards' consistency with original objectives and the functions of information disclosure to attain appropriate disclosure of corporate financial status and management performance.

Currently, groups such as the International Accounting Standards Commission (IASC) are studying the international reconciliation of accounting standards. Studies for the international reconciliation of accounting standards is deemed desirable for the purpose of international compatibility, but such studies must be performed in a manner that reflects the views of users of accounting systems such as investors and issuers of securities.

Section III. Development and Improvement of Corporate Bond Markets

A. Current Status of Corporate Bond Markets and the Need To Develop and Improve Such Markets

1. Current Status of Corporate Bond Markets

Annual sales in Japan's corporate bond markets are 1/100th of that in U.S. markets, 1/80th of interest-bearing Japanese bond markets, and annual turnover of all outstanding issues is 0.3, compared to 2 in the United States, indicating that our corporate bond markets are noticeably underdeveloped in comparison to those in Europe and the United States, as well as Japan's government bond markets.

The development and improvement of our corporate bond markets is an urgent issue in consideration of the foregoing circumstances and the following reasons.

2. Necessity for Development and Improvement of Corporate Bond Markets

a) Facilitate and Enhance Efficiency of Corporate Financing

Increased liquidity of corporate bonds through the development and improvement of corporate bond markets provides for the formation of rational conditions for issuance of bonds and smooth absorption of newly issued bonds, and enhances the availability of financing for corporations. Additionally, corporations with high credit ratings will be able to issue bonds reflecting conditions that are commensurate with credit risks and they can expect to realize lower financing costs. They can also expect to realize lower issuing costs through cost reductions associated with greater liquidity.

Further, in order for corporate bond markets to manifest their special characteristic of providing an arena in which risk can be dispersed among numerous investors and investors can transfer risk to others and recover capital invested, returns commensurate with risk must be offered and liquidity must be ensured, thus dictating the indispensability of developing and improving corporate bond markets.

b) Enhance Global Competitiveness of Japan's Financial and Capital Markets

Globalization of financial transactions, especially improvements in financial and capital markets of neighboring Asian nations, is progressing rapidly. If the stalemate in corporate bond markets which constitute part of the financial and capital markets continues, it will become a factor in lowering the international competitiveness of Japan's financial and capital markets and will run the risk of compromising the efficiency of our markets. Under such circumstances, firms that have difficulty raising capital in overseas markets will be forced to raise capital in inefficient domestic markets at relatively higher costs when viewed from a global perspective, posing the possibility of an adverse effect on businesses' international competitiveness.

B. Expansion of Issuing Markets

Expansion of corporate bond issuing markets and expansion in the scope of corporate bond distribution markets are inseparable, thus dictating the need to develop and improve corporate bond distribution markets concurrent with stepped up, aggressive expansion of issuing markets.

Specifically, issuance of bonds with a variety of ratings and with a variety of product characteristics with a high degree of efficiency requires further deregulation such as relaxation and abolishment of bond qualification standards and rules encompassing financial restrictions. Further, fees for corporate bond transactions were improved considerably based on revisions to the Commercial Law in October 1993, but mention has been made that they are still comparatively high on an international basis and there is the need to review their status based on differences in services offered. As an example, the fees paid by the issuing firm in Japan to cover costs for interest, redemption fees, and initial registration fees are based on a fee schedule calculated as a percentage of the principal or interest paid. These fee schedules do not appropriately reflect economies of scale existing in the handling of corporate bond issuances and it has been noted that interest and redemption fees are comparatively higher than the fee schedules in European markets where interest and redemption fees are a percentage of the corporate bonds or number of interest coupons paid for, and are not based on the principal involved. It is necessary to make improvements in this area and to offer advantages of scale to the bond issuer.

C. Issues Concerning Market Sources (Issuing Firms, Brokers, and Investors) and Improvement Plans

1. Issues Concerning Issuing Firms and Improvement Trends

Development and improvement of corporate bond markets requires issuing firms to consider the following and place increasing emphasis on preserving the liquidity of corporate bonds.

a) Establishment of Issuing Conditions Responsive to Market Trends

Currently, some new issues are being offered with issuing conditions that are incompatible with market trends and that detract from investors' desire to buy, causing turmoil in corporate bond market transactions. (Needless to say, there is the view that this situation stems from delays in the development and improvement of corporate bond distribution markets and the inadequate functioning of the price formation function.)

In the future, improvements in the corporate bond distribution markets will require issuing firms to refer to going rates on existing corporate and government bonds as market barometers to establish issuing conditions that accurately reflect real market trends.

b) Expansion of Issue Size

Currently, criticism is voiced that bond issues in Japan's corporate bond market are so small that availability is often insufficient when bonds are issued, limiting their liquidity.

Issuing firms should expand the size of individual bond issues to the degree feasible within funding requirements so as to preserve the liquidity of corporate bonds.

c) Prevention of Occurrences in Odd Lots for Bonds

There has been criticism that odd lots for bonds (which are less than the normal trading size, normally lots of less than 100 million yen) have been created in corporate bond issues because of a large membership in an underwriting syndicate, limiting their liquidity.

When issuing bonds, firms need to prevent the occurrence of odd lots for bonds by adjusting membership in the underwriting syndicate. In that event, the issuing firm needs to organize an underwriting syndicate with special emphasis placed on the selection of brokers who are aggressive in market-making operations.

2. Issues Concerning Brokers and Applicable Improvement Trends

a) Issues

In Japan, only a small number of brokers deal actively in market-making operations and investors mention that market-making is not effective because of the lack of transparency in the price-formation process.

b) Factors That Obstruct Effective Market-Making and Applicable Improvement Trends

(i) Improvement in Brokers' Capital and Bond Procurement Methods

The smooth conduct of market-making operations by brokers calls for the indispensable establishment of an environment enabling them to procure capital and bonds efficiently in response to client orders. However, buy transactions for bond repurchase agreements—which are relied upon by brokers primarily to procure capital and bonds—are not authorized for securities firms and the imposition of a 0.03-percent securities transaction tax on the transfer value at time of sale makes it relatively expensive to raise short-term funds, thus impeding the liquidity of corporate bonds. There is also criticism that transactions are difficult to consummate because limitations on interest charges (limited to a rate 1 percent below the collateralized overnight call rate) are imposed on cash collateral loan transactions among bond loan transactions.

Enhancing the vitality of market-making by brokers and increasing the liquidity of corporate bonds will require a revision of the securities transactions tax, abolishment of the prohibition on dealing in buy transactions relative to repurchase agreements by securities firms, and the relaxation and abolishment of interest-bearing restrictions on loan transactions.

(ii) Formation of Benchmark Interest Rates

The formation of a yield curve to serve as a barometer based on securities such as government bonds is indispensable for brokers to indicate rational prices for individual corporate bonds.

However, in Japan, government bond issues have for some time been limited to 10-year bonds, and trading has been limited to barometer issues, thus leading to criticism that there is no yield curve that can serve as a reliable barometer.

Accordingly, it would be desirable if a benchmark interest curve were formed on the basis of government and utility company bonds with a diversity of maturity dates. Since last year, four-year and six-year interest-bearing government bonds have been issued, but hope is now placed on the formation of yield curves based on the increasing trend to diversify the issuance of bonds, including maturity dates.

(iii) Enhancement of Ties Between Underwriting and Market-Making Operations

Currently, it is noted that effective market-making operations do not exist, as reflected in the fact that there is a scarcity of issues subject to market-making and brokers do not maintain markets in a single issue on a continuous and stable basis.

Brokers who are the managing underwriters of an issue should aggressively assume market-making operations for such issues. Further, as stated earlier, there is a need for issuing firms to give priority consideration to brokers who aggressively engage in market-making operations when selecting managing underwriting firms.

3. Issues Concerning Investors and Applicable Improvement Trends

a) Promotion of Nonresident Investment in Domestic Corporate Bonds

Currently, taxes are withheld on interest income of nonresident bond holders, but normally such withholdings do not apply under international protocol, thus limiting nonresident investor purchase of Japan's corporate bonds.

It is necessary to revise the system calling for withholding taxes on interest income of nonresidents in order to establish international compatibility of tax systems and to promote foreign investments in domestic corporate bonds.

b) Promotion of Corporate Bond Investments Among Institutional Investors

Mention is made that obstacles exist in the unregulated investment in corporate bonds because of regulations (for example, some restrictions prohibit investments in corporate bonds by special corporations and government-affiliated institutions) on the operations of institutional investors. Although adequate consideration must be given to the sound management of assets, provisions should be made to provide maximum freedom in portfolio formation by institutional investors by relaxing management restrictions on such investors and by allowing maximum freedom concerning investments in corporate bonds.

D. Issues Concerning Corporate Bond Transaction Settlement Systems and Applicable Improvement Plans

1. Issues and Need for Improvement

a) Need To Reduce Settlement Risks Associated With Corporate Bond Transactions

Parties to a corporate bond transaction assume settlement risks after arriving at a contract and before settlement is completed with an exchange of funds and securities in terms of the time required for settlement and the transaction value, but the development and improvement of corporate bond distribution markets will require an improvement in the corporate bond settlement system so that risks associated with settlement are minimized by shortening as much as possible the time required in order to provide ease of mind to market participants.

b) Issues Concerning the Current Corporate Bond Settlement System

The corporate bond settlement system based on Japan's corporate bond registration system currently faces the following problems, making it difficult to reduce settlement risks.

(i) Currently, settlements are often considerably delayed because of the extended time necessary for administrative processing involved in transfers of registered bonds—comprising the majority of outstanding corporate bond balances—such as registration certificates and individual numbering systems.

(ii) Funds settlement and bond certificate delivery are handled separately (bond certificate delivery is accomplished by delivery of documents necessary for transfer of registration or delivery of actual certificates, while funds settlement is accomplished by the transfer of applicable funds between private banks), thus making it difficult to link funds settlement and certificate delivery actions and arrange simultaneous completion of delivery versus payment (DVP).

Accordingly, risks incurred by parties to bond transactions relative to settlement are significant and are a factor in limiting the desire of foreign institutional investors and individual investors to invest in corporate bonds, and it is questionable whether the current corporate bond settlement system will be responsive to any effort to develop and improve distribution markets relative to future growth in corporate bond balances.

c) Need To Develop an Efficient and Stable Corporate Bond Settlement System

The inefficient and unstable current corporate settlement system will be a major factor in obstructing the development and improvement of a future corporate bond distribution market. Even from a global perspective, Japan's corporate bond settlement system is inferior from the standpoint of efficiency and stability in comparison with that of Europe and the United States, and areas such as Hong Kong and Singapore are advancing rapidly in the development and improvement of financial and capital markets. To allow Japan's corporate bond settlement system to remain in its current inadequate status amidst such developments will lower the international competitiveness of Japan's financial and capital markets and will pose the eventual possibility of leading to inefficiencies in financing on the part of corporations that face difficulty in overseas financing.

Thus, there is a need to take immediate action to improve the corporate bond settlement system, which is one of the important infrastructures of financial and capital markets.

2. Improvement Measures

a) General

It is necessary to improve the corporate bond settlement system to expedite the settlement of corporate bond transactions and attain early accomplishment of DVP. Adequate consideration should be extended to the efficiency and stability of the system, convenience and cost effectiveness for users, ease of participating in the system, and the international perspective.

Further, in pursuing improvements in the corporate bond settlement system, market sources should refrain from persisting in their individual interests, agree on the status of a desirable corporate bond settlement system, and effect a prompt implementation of the improvement plan.

b) Possible Improvement Plans and Comparative Analysis

There are four possible approaches relative to specific improvement plans for securities settlement systems: 1) Introduction of a centralized securities transfer system based on a reorganization of the securities custody and transfer system. 2) Improvement of the current corporate bond registration system using data communications systems (high-speed processing of transfers and registrations). 3) Introduction of a centralized transfer system using a new third-party agency organized jointly by market participants. 4) Expansion of the Bank of Japan [BOJ] network.

These improvement plans have been commented upon as follows: Plan 1 has the advantage of being amenable to the phased implementation of DVP, but initial costs will be relatively high and continuation of the current system will impose certain restrictions. Plan 2 uses existing resources; the attendant costs are low and it is amenable to introduction of DVP, albeit with considerable effort. However, it has been noted that, although several specific moves have been made toward fundamental improvements in the corporate bond registration system, no real progress has been made because of legal and practical issues, thus making any future formulation of a consensus among market sources very difficult. Plan 3 provides a means for the phased transition to realization of DVP and has the advantage of preserving neutrality, but initial costs will be significant. Plan 4 has the advantage that the government bond DVP system development has progressed, is superior in its neutral qualities, and poses relatively low cost for market participants, but involves the one issue that most corporate bond settlement systems in Europe and the United States are operated by the private sector.

Further, in the area of the funds settlement system, it is necessary to study the ease with which DVP can be implemented, the costs associated with improvement actions, and the qualifications for handling funds settlements in considering a desirable link with the securities settlement system.

c) Future Course

(Assuming consensus by market sources on a corporate bond settlement system:)

In the future, an intensive study should be conducted by market sources to arrive at an early consensus that adequately considers market needs and that includes one or more of the improvement plans discussed above.

(Action to be taken if preceding effort results in need for more time to coordinate differences:)

However, if developments clearly indicate that the conflicting interests of market sources are complex and that considerable time is required to coordinate those differences, an urgent decision should be made that early formation of Japan's corporate settlement system is necessary and a study should be initiated to build an improved securities settlement system that preserves the quality of neutrality.

3. Study by Market Sources and Early Implementation

a) Long years of debate on the corporate bond settlement system have failed to produce any fundamental improvement, but experience with bond-issuing firms has demonstrated a rapidly growing market need for an efficient settlement system. Thus, it is very important that a consultative agency composed of market sources establish a system outlook and schedule for building a new system, arrive at an early consensus on improvements, and embark on a prompt implementation of the improvement plan.

b) Industry should constantly monitor progress made on the above studies as well as progress made on implementing improvements as users of financial and capital markets from the standpoint that early action is required on the construction of a corporate bond settlement system.

Section IV. Tax System Issues Viewed From an Industrial Financing Perspective

A. Need for Tax System Improvements Responsive to Economic Conditions

The perspective of striving for smoothness and efficiency in industrial financing calls for the establishment of a neutral tax system that is not an obstacle to the diversification of means by which industrial capital is procured and managed.

Specifically, for transactions such as bond loan transactions and bond repurchase agreements, which have identical economic effects, consideration should be given to tax provisions that provide equal treatment. Further, the smooth introduction of new methods of raising and managing funds should be facilitated through comprehensive stipulation of tax treatment so that market participants are in an environment that enables the establishment of a future outlook to include the tax impact.

B. Issues Concerning Tax System

1. Revision of Securities Transaction Tax

There are positive evaluations of the securities transaction tax because of the ease with which it can be collected. However, on the other hand, when corporations use securities in the form of stocks or bonds to procure and manage capital, the securities transaction tax detracts from the value of securities as a product for procurement and management of capital and poses real difficulties for expanding the use of short-term capital management tools such as bond repurchase agreements and variable interest-bearing bonds.

Consideration of these matters dictates the need to conduct studies on the status of the securities transaction tax.

2. Review of Nontaxability of Interest on Private-Sector Foreign Currency Bonds

Private-sector foreign currency bonds were originally established to facilitate the smooth acquisition of foreign currency and it has been suggested that, in view of the fact that a large portion of the bonds is being recycled back into Japan, there is no reason to retain their nontaxable status and that the nontaxable status of private-sector foreign currency bonds should not be continued since nontaxable provisions as a whole—such as for the postal savings system—are being abolished. However, on the other hand, private-sector foreign currency bonds issued abroad to nonresident holders are normally given nontaxable treatment on interest, which means that, if the practice is discontinued in Japan, there will be a major decline in the investment appeal of Japan's private-sector foreign currency bonds and there is the risk that Japan's corporations will face conspicuous difficulties in raising capital overseas.

There is a need to study the status of nontaxable measures such as the revision of the scope of bonds to be given nontaxable status from the above perspective.

3. Review of Double Taxation of Dividends

The following issues are said to exist from the perspective of attaining smooth and efficient procurement of industrial financing: 1) Under current tax laws, dividends are subject to double taxation and provisions for adjustment are limited. 2) There is inadequate neutrality in the taxation of interest and dividends paid. 3) Dividends are taxed at a higher rate than capital gains taxes when a taxpayer opts for estimated capital gains taxes, and dividend taxation lacks neutrality. 4) Internationally, capital gains taxes are normally treated as part of total income taxes and provide for offsetting losses against gains and capital loss carried forward.

In the future, any review of securities taxation systems must give adequate consideration to these factors and there is a need to study their status.

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[Text] **Chapter 3. Establishment of Environment for Financing New Businesses**

Section I. Significance and Importance of New Businesses in Japan's Industrial Economy

A. Significance of Developing New Businesses

If Japan's economy is to overcome its current closed nature and realize additional growth, it is very important to exert increasing and aggressive effort in the exploitation of new next-generation industry sectors. Sectors considered to be promising for the future in Japan include information-communications, medical, welfare, housing, energy, and the environment; the development of new businesses will serve as a major motivating force in the exploitation of such industry sectors and will concurrently serve as a source of dynamism in Japan's economic activities. Further, exploitation of industrial sectors by new businesses will be important for creating new employment opportunities. A look at the United States shows that creation and growth are active in the form of venture firms in the areas of information-communications (including computer related) and biotechnology, which contributed to the growth of new industries and enhanced the global competitiveness of U.S. industry, indicating that the development of venture firms and new businesses is especially urgent for the growth of such leading-edge industries.

Engaging in new businesses is an activity that is expected not only of company founders, but also of major and midsized corporations as well as smaller companies, while the creation and growth of businesses by company founders rich in creative talent serves as a major stimulus to existing firms and is expected to lead to the preservation and expansion of vitality in Japanese industry as a whole.

It need not be mentioned that actively engaging in new businesses first requires aggressive research and development by firms and research centers. However, although Japan's technical levels and the qualifications of its researchers are prominent globally, it is difficult to say that exploitation and growth of new businesses are active and it is noted that the environment makes difficult the commercialization and subsequent growth of ideas produced by research and development.

Based on the foregoing perception, the development of new businesses requires the conduct of a study and expeditious required actions on the environment and infrastructure to provide for the smooth commercialization and growth of newly created business ideas resulting from research and development.

B. Past Situation Fostering Growth of New Businesses

Financial-capital market systems primarily offering indirect financing made major contributions to the development of new businesses from the postwar recovery to the high-growth economy periods. Specifically, financial institutions actively engaged in the project analysis of new businesses, took the initiative in assuming risks, and provided multifaceted support to new businesses by monitoring and providing advice after issuing loans.

The source of funds for financing offered by financial institutions is "deposits"; depositors were not expected to shoulder risks, risks were relatively efficiently assumed by financial institutions in connection with newly created businesses, because of: 1) the rise in real estate values, which served as the main source of collateral, and the concurrent rise in the ability of financial institutions to assume risk; and 2) the reduction in business risk associated with the expansion in economic scale based on the rapid growth in the catch-up activity of the Japanese economy as a whole.

Further, it is said that in the area of efficient use of human resources in new business growth, the practice of lifetime employment was an effective foundation for maintaining a stable work force and a high rate of worker productivity. Such effects were attainable because much Japanese research and development was devoted to applied research using the results of basic research conducted overseas, and it was comparatively easy to identify industries to be exploited based on activities in

Europe and the United States, thus enabling Japanese corporations to avoid the dispersal of researchers and technicians into a variety of areas, to concentrate a large amount of manpower in narrowly defined areas, and to effectively achieve the early development of high-quality, low-cost commercial products.

C. Changes in Environment Surrounding New Businesses

Today, Japan leads the world economy and it will be difficult to exploit the method of using basic research results from abroad to develop new industries, making it increasingly important that we take the initiative in investing resources in basic research to develop new industries.

Further, assumption of risks by expanding economic scale can no longer be expected in connection with Japan's transition to stable economic growth and it has been noted that a large volume of bad loans has lowered the ability of financial institutions to support the development of new businesses when compared to the growth period of Japanese industry.

Further, in view of changes beginning to take place in the practice of lifetime employment and the increasing diversification of the public's needs, we can say that major changes are taking place in the environment surrounding new businesses.

D. Necessity for Action in the Area of Capital

In recent years, the development of new businesses in Japan was substantially limited to sectors with relatively little risk and lagging progress is becoming conspicuous in terms of leading-edge technology industry sectors which require huge capital investments and carry high project risks. Of special note is that any attempt to engage in research and development and development of new businesses in such sectors will conceivably entail considerable difficulty in financing.

On the other hand, U.S. capital markets provide a system in which risks can be widely dispersed and companies that have existed only a short period or that are recording deficit earnings can undergo initial public offerings and raise relatively large amounts of capital.

As a result, industry sectors promising major growth in the 21st century which started with venture firms in the United States are now recording rapid growth, while similar growth in Japan is lagging. As an example, it is said that Japan lags the United States by about 15 to 20 years in the biotechnology sector and that the difference in progress is expanding rapidly, and a similar situation exists with the information (multimedia) sector.

Further, despite Japan's status as a prominent world leader and a nation with excess capital, adequate systems have not been established to finance businesses domestically which are in the emerging-growth stage, leading to inadequate investments in domestic venture firms and creating the very distorted situation in which Japan's institutions invest actively in overseas venture firms.

Conceivably, the availability of abundant capital should result in a continuing important role for financial institutions in the development of new businesses, but hope is placed on work to establish better financing systems for new businesses by enhancing risk management and business assessment responsive to changes in environment and the increased risks associated with new businesses.

However, considering the relatively high risks associated with industries such as biotechnology, information-communications (including computer related) and the considerable sums of capital required to commercialize such leading-edge industries, we should not rely solely on financing centered on indirect financing and establish diversified financing measures using capital markets.

E. Need for Action in the Human Resources and Social Environment Areas

When establishing a company in a new business sector in Japan, it is difficult to raise capital to start, continue, and expand the business and it is necessary to overcome a variety of obstacles that are peculiar to Japan, such as in the areas of recruiting human resources, obtaining market information, and cultivating clients.

In comparison to the United States where new venture activities are aggressively pursued, comments are often heard not only on research and development but also on the fragility of operational strategies and marketing capabilities. For example, in the United States, when a new venture is about to be initiated, the entrepreneur is surrounded by a group of venture specialists consisting of technicians, financial experts, and sales personnel, providing for a comparatively smooth initiation and deployment of activities, whereas in Japan the entrepreneur often handles all functions single-handedly, creating a major divergence between Japan and the United States in how new ventures are launched.

Further, development of new products in the United States entails a degree of separation of roles between venture firms and large established firms, facilitating the commercialization of newly developed products. In Japan, emphasis is often placed on continuing and stable transactions, and there is a strong tendency for newly developed sectors to be exploited on a considerable scale by large firms in a short period, as well as inadequate protection for proprietary assets, rendering it difficult for companies in the emerging-growth phase to develop sales and expand businesses.

In the past, adequate consideration was not given to issues of human resources and social environment and, as a result, very little was done to take fundamental action. However, now that past forms of employment practices and business practices are being reviewed, it is important to conduct a study on issues concerning capital, human resources, and marketing, and to follow such review with adequate actions.

F. Status of Public Support

The establishment, continuation, and growth of new companies basically depend on independent activities based on the free concepts of companies themselves, indicating that the independent efforts of the private sector are important and that government policies play an auxiliary role.

From this perspective, it is important that government further relax economic controls so that new businesses can create and expand new demand and markets and freely engage in and expand such new businesses.

Further, it is important to provide financial aid to individual companies that are unable to handle their risks during the business start-up and subsequent growth period and there is a need to consider further enhancing and expanding such aid if circumstances warrant.

Additionally, obstacles in business deployment confronting companies in their emerging-growth period are not necessarily limited to financial issues; human resources, information, and social assessment issues also have a major effect. Accordingly, there is a need to provide public aid for environmental improvements of a collective nature which increasingly expand two-way access opportunities between people and companies and between new companies and existing companies.

Section II. Capital Aspects

Capital requirements and financing of new venture companies tend to reflect conspicuous shortages in research and development funds, capital investment funds, and additional operating funds during the start-up phase, and there is a tendency to rely heavily on equity for research and development funding.

Further, a look at the composition of financing shows that one-third consists of equity; external funding is overwhelmingly composed of borrowing from private-sector financial institutions, while very little is obtained from capital markets, including the sale of stock. Public funding in the form of low-interest loans and subsidies for operating funds is limited, but occupies a segment of funding for capital investments and research and development.

It will be indispensable to enhance and expand public funding aid and to improve the financing environment in capital markets in order to eliminate the limited and distorted financing tools discussed above and to provide adequate funding to new venture businesses.

A. Public Funding (Financial Aid System)

1. Status of Existing Aid System

Public aid provides financial support to companies in various stages of business activities, such as the start-up phase where support from the private sector is difficult to obtain because of high risks, and includes various systems such as direct funding in the form of equity investments and subsidies, loan guarantees to cover financing from the private sector, and low-interest loans from government-affiliated financial institutions. It will be necessary to continue such effective public aid setups in the future. It is important that companies in later phases of development receive financing from private-sector sources.

Further, public aid must be operated so that individual industry sectors are treated on a priority basis.

Public aid which primarily offers financial aid to venture-growth firms includes loan guarantees by the Venture Enterprise Center (VEC) and Industrial Infrastructure Construction Fund, and several forms of aid such as investments by the Small and Medium Enterprise Investment-Development Company (SMEIDC) and New Business Investment Company, subsidies, low-interest loans, and tax system relief. However, awareness of these organizations among eligible firms is commonly limited; some systems are complex and very time-consuming in the processing of applications and there is criticism that, even if time and cost are incurred in filing applications and undergoing examinations, the financial aid and interest rates offered have limited direct aid advantages.

Accordingly, it is difficult to say that any of the institutions is effective enough and the situation is such that eligible firms have made hardly any attempt to make coordinated use of more than one of the several setups.

2. Countermeasures

a) Enhance Offerings and Distribute Information on Existing System

Enhancing the effective use of and expanding existing systems requires early improvements in offerings and circulation of information on programs.

Specifically, there is a need to improve material presentation systems; for creative concepts such as the combined use of clear and simple informational publications, comparative analyses of various programs, and telephone consultations; and to enhance information circulation functions such as the intensive distribution of information to corporations by voluntary organizations and groups, such as officials of financial institutions, management consultants, management guidance agencies, and company founder groups.

b) Improve Procedures and Examination System

Improving procedures and the examination system will require reinforcement of the examination staff of the VEC in terms of experts knowledgeable in a broad spectrum of specialties and personnel experienced in managing venture firms and capable of evaluating the prospects of new ventures, as well as significant improvements in examination capabilities and the shortening of examination time requirements through the consolidation of the examination process. There is also the need to improve formal procedures, such as simplifying application forms and standardizing forms used in the various systems.

c) Reinforcement of Organic Affiliation of Systems in Support of Start-Ups and Attendant Improvement of Core Institutions

Achieving the effectiveness of a diversified public support system will require enhancement and improvement in the information supply and examination capabilities of various agencies and reinforcement of the organic affiliation of various support agencies for new businesses.

Such affiliations require improvements in the agencies that will form their core element and the fundamental reinforcement of VEC functions, including improvements in staffing and significant improvements in examination capabilities, along with consideration for organizing networks for exchange of information, standardization and compatibility of material to introduce support activities, availability of comparative information, augmentation of related information, and mutual introduction to other agencies, and the affiliation and integration of examination systems of various organizations. Further, there is a need to consider the affiliation and networking of VEC activities operated by prefectural governments such as support to new business and research activities established in various districts.

Further, the 1994 revision of tax laws alleviated risks associated with underwritings for stock by the launching of SMEIDC, providing for enhanced capabilities of SMEIDC to support the establishment of new ventures.

d) Improvement and Expansion of Systems

In the future, we should conduct studies of improvements and expansions in public support systems to cover the expansion of guarantees by VEC (also possible are improved guarantees for leading-edge industries) and to facilitate the delivery of capital to new entrepreneurs assuming expansion of fiscal infrastructure in consideration of factors such as creation and growth of new businesses.

B. Use of Private-Sector Capital Raised in the OTC Market

1. Significance of Capital Raised Through Issuance of Stock

Direct financing, especially the raising of capital through the sale of stock, is accompanied by a variety of obligations and responsibilities, including disclosure, but does not require collateral in connection with its issuance, enables the procurement of long-term capital, and has the special feature of not requiring the payment of fixed interest or the repayment of principal.

If we view factors such as the general difficulty that new businesses have maintaining stable profits and their lack of collateral and credit, as well as the fact that capital procurement by so-called venture firms is highly dependent on capital markets in the United States, we can expect that capital markets in Japan will serve as effective sources for raising capital.

Currently, NASDAQ in the United States lists firms such as Microsoft and Intel among growth industries in the computer, information-communications, and biotechnology sectors which rival the scale and performance of firms traded on the New York Stock Exchange, trades stocks in a wide spectrum of firms, and can be described as a market with overflowing vitality.

We hope Japan's OTC markets grow into markets with unique characteristics and vitality centered on high-growth stocks and offer facilities for public trading of stock even if no dividends are paid in contrast to requirements of the major stock exchanges.

Further, listing on the OTC market is important for business activities, while public trading is a major step to enhancement of public awareness and credibility of listed companies, benefiting company performance and entrepreneurs by enabling them to reap huge founders' profits in the form of capital gains.

The significance of the OTC market should grow rapidly in view of the foregoing perspective for unlisted small and midsized firms with future growth potential.

2. Current Status of Japan's OTC Markets

A look at the size of companies currently listed on the OTC market indicates that 70 percent are capitalized in excess of 1 billion yen, that 60 percent have sales in excess of 10 billion yen, and that more than 50 percent of the firms have more than 300 employees. If one considers the fact that such statistics prevail among stocks pending listing on the OTC market, one would have to conclude that Japan's OTC market is organized around fairly large companies.

Further, the average number of years between establishment of a firm and listing on the OTC market for all firms is 29 years. Even relatively new firms established after 1965 average 17 years since establishment, which is very long compared to the average of five years for that particular period in the case of the United States. Further, the imposition of restrictions in the number of new public listings since 1991 has lengthened the public listing preparation and examination period and increased the number of companies awaiting public listing.

At the end of March 1994, the number of companies listed on the OTC markets in Japan totaled 504, which reflects an increase in recent years, but a mere one-nineth of listings on the NASDAQ in the United States.

3. Issues Concerning the OTC Market

Companies in Japan can be listed on the capital markets after they have accumulated an adequate record of corporate performance and maintained a stable record for a long period. Additionally, the preparation and examination period for listing on the OTC market, according to a survey of firms listed on the OTC markets, was about 1.5 years in 1960, and has lengthened since to just under three years in the 1970's and 1980's, and an average of more than five years in 1994. This indicates that companies in the venture-growth stage have only limited prospects of raising capital efficiently in the stock market.

In contrast, the U.S. OTC market is operated under a multiple of systems, including NASDAQ and pink sheets, while NASDAQ, which has made significant contributions to the efficiency of markets, allows the listing of companies operating at a deficit as long as they meet certain prescribed requirements. Those companies that are not listed on NASDAQ are carried on what is known as pink sheets which provide daily quotes and accessibility to investors (currently most companies—totaling 15,000—are carried on computer systems that provide bid and ask and actual trade price). When one considers that Japan's securities firms are prohibited from soliciting purchases of stock of a company not listed on the exchanges or the OTC market, it is obvious that the U.S. OTC market provides wider access to capital markets than do those in Japan.

Such differences in OTC markets in Japan and the United States are not limited to the ease or difficulty in raising capital, but have a major impact on the preparation of business plans in the establishment stage as well as the very incentive to engage in a new business.

Reasons for such conditions in Japan's OTC markets can be listed as follows:

a) Concept of Protection for Investors

In the United States, emphasis is placed on eliminating the risks associated with errors of judgment arising from the unequal availability of information among investors, investor interests are protected through thorough disclosure rules applicable to corporations, and the rule of self-accountability concerning investor assessments and decisions is thoroughly enforced.

Companies in the venture-growth stage can be listed on NASDAQ with comparative ease as long as they have complied with appropriate disclosure rules.

On the other hand, in Japan, protection of investor interests is arranged through the OTC listing requirement that companies possess a record meeting or exceeding certain performance and stability requirements. Even in our country, there is a search for self-accountability in terms of investment decisions and their impact, but criticism exists that the maintenance of such investor protection measures have reduced such investor self-accountability perceptions and detracted from the risk-taking functions of capital markets.

b) Standards for Listing on OTC

According to a survey of companies already listed on the OTC markets concerning standards for listing on the OTC markets in Japan, there was much criticism about the rigidity and opaqueness of real requirements concerning profitability, stability, and management structure rather than about the formal standards for net assets, before-tax profits, and stock listing, as well as criticism that even if formal standards were met, it was uncertain whether OTC listing could be achieved.

Further, unanticipated restrictions have been imposed in the form of limitations on stock offerings because of prevailing supply and demand situations in the market place, even after OTC listing was approved.

c) Market-Making Functions

In OTC markets where relative transactions are basic, aggressive market-making functions are an important factor in the smooth trading of stocks.

Under NASDAQ in the United States, market makers are required to maintain bid and ask prices on a daily basis and respond continuously to buy and sell orders. In contrast, registered dealers who supposedly engage in market-making functions in Japan are required only to publish bid and ask prices at least twice weekly and to respond to either a buy or sell order for one share of stock a week. However, in reality, registered dealers often peg bid and ask prices at levels removed from potential buy and sell levels, while the existence of the Japan OTC Stock Company which follows stock exchange trading procedures has diminished the significance of the registered dealer system and has brought criticism that our OTC markets lack the mechanism to promote stock trades.

4. Direction of Improvements

Enhancement of risk-taking functions in Japan's capital markets and promotion of early participation in capital markets by companies in the emerging-growth stages will require a review of the status of shareholder protection measures from a long-term perspective. There is also the need to provide for more thorough disclosure of information and to study improvements in the system of supplying new capital primarily by institutional investors with greater risk-taking capability. The following specific actions are required:

a) Improvement of OTC Market Listings

Listing of stock on the OTC market has significance in terms of providing an effective means of raising capital for companies in their growth stage, and improvement of OTC markets is essential to the development of new businesses in terms of preserving the interests of company founders, the preparation of business plans, and their major impact on incentives for entering new industrial sectors.

OTC market listing procedures must be revised so as to provide greater predictability to companies and investors in the areas of OTC registration and deregistration by quantifying current OTC listing standards, especially the substantive standards, and providing more transparency to the registration approval process. Specifically, the profit levels currently being used as a basis for decisions should be incorporated into the formal standards at an initially somewhat high level, and companies that meet the requirement should be allowed listing without restrictions. Once that approach stabilizes, the standards as a whole should be relaxed in stages.

Accordingly, as an initial move, there is a need to effect early relaxation and abolishment of the rules by which limitations are imposed on the number of companies allowed to attain new listing status on a weekly basis.

Second, there is a need to boost market-making obligations by expanding the number of shares that a registered dealer must handle in response to buy and sell orders, in the event that he presents bid and ask prices, as a means of adding vitality to OTC market trading activity. However, since increasing registered dealer obligations in this manner has the potential of imposing a huge burden on registered dealers, there is the need to satisfy certain conditions such as an expansion in the number of OTC issues listed and shares available for trading.

b) Establishment of New Capital-Raising Environment

The establishment of a means for the efficient procurement of capital through the sale of stock by companies that cannot meet OTC listing standards will require considering the availability of data on so-called venture firms through existing information networks or newly established information networks to institutional investors with adequate capability to collect and analyze information and assume risks, and the establishment of new investment systems for institutional investors targeting venture firms.

Further, venture firms themselves should consider, aside from OTC listings, the use of preferred stock and the use of regional industry development section stock listing systems in regional stock exchanges in those industry categories which are unique to local regions.

Further, in the area of venture capital, which shoulders the burden of supplying capital to growth firms, consideration should be given to boosting the liquidity of stock held by venture capital so as to enhance the liquidity and effectiveness of investment activities.

c) Thoroughness in Information Disclosure

Firms that intend to raise capital in capital markets need to strive for thorough information disclosure by preparing clear-cut business concepts and plans from the time a firm is established and aggressively improve company accounting systems, as discussed later.

Further, it has been mentioned that under the U.S. NASDAQ system investors make investment decisions on companies by referring to their return on equity (ROE) ratio and that establishment of clearly defined investment yardsticks play a crucial role in the vitality of markets.

C. Other Measures for Efficient Procurement of Private Capital

The following means can be considered for the promotion of ways to provide for the efficient raising of capital, in addition to procurement of capital through listings on the OTC market:

1. Improvement of Venture Capital Funds

Venture capital firms are expected to exert greater efforts to improve their financial base and concurrently to establish funds that specialize in investments in specific industry sectors.

2. Use of Investment Trusts

Investment trusts are designed to invest in a wide range of securities to diversify risk, but Japan's investment trusts have been criticized because they are subject to certain operating restrictions and must obtain case-by-case approval to invest in a new form of investment product and are unable to manage their funds efficiently and attain effective risk diversification. There is also criticism that investment trusts do not provide for adequate disclosure of funds management activity, thus detracting from investor appeal.

There is a need to relax the variety of restrictions placed on the various investment products held by investment trusts in order to utilize the risk diversification functions inherent in such trusts in raising capital for new ventures and to provide for adequate disclosure on the management of fund portfolios.

3. Utilization of Investment Business Associations

There is a need to consider improvements, including in the legal aspect, in systems to limit investor risks and to promote effective investment activities in connection with investment business associations which invest in unlisted new ventures. There is also the need to consider offering appealing investment opportunities by establishing funds specializing in specific industrial sectors and companies in specific stages of development.

4. Introduction of Annuity Funds

In the United States, 60 percent of funds flowing into venture capital are supplied by annuity funds, making annuity funds an important source of capital for venture firms.

If we consider that future growth of the senior citizen society will be accompanied by the high probability of an expansion of annuity funds, we should consider relaxing management standards for annuity funds and channeling a certain level of capital from such funds into venture firms to attain stable management of the funds. Such measures will also lead to effective investment of annuity funds.

5. Relaxation and Abolishment of Bond Qualification Standards

Japan's bond markets are regulated by bond qualification standards whereby firms that cannot acquire ratings above a certain level are barred from raising capital through the bond markets. We should consider improving the risk assumption functions of Japan's capital markets by adopting the principle of high risk-high return, improve disclosure procedures, and relax and abolish such regulations so as to provide for diversified capital procurement options for firms in the venture-growth stage.

Section III. Human Resources

The human resources issue for new businesses can be categorized into that area which pertains to founders and that area which pertains to the variety of talent needed in the operation of businesses established and developed by founders. In the area of founders, in Japan, we have talented people capable of becoming entrepreneurs and a somewhat intensifying movement where individuals attempt to initiate businesses amidst the changing economic structure, thus making it necessary not to isolate the human resources issue but to position it as one of a variety of issues associated with new businesses.

A. Status of Recruitment for Human Resources

Although the human resources recruitment picture at businesses in the emerging-growth stage has improved somewhat because of an easing in the supply-demand situation in the labor force, because of the recent recession, personnel shortages still persist in the research and sales departments. Of special note is that the personnel shortage situation in the research sector is common to almost all firms with fewer than 300 employees. Further, shortages in the administrative and planning departments are keenly felt in the company organization development stage.

Human resources recruitment methods primarily involve employment agencies, college campus solicitations, and newspaper and magazine advertisements, but methods at small firms are characterized by a prevalence of introductions via acquaintances and employment agencies.

B. Issues Concerning Human Resources Recruitment

Reportedly, the United States has about 500 business schools that offer programs for educating company founders, but in Japan's educational institutions, very few courses focus on the management of businesses in the venture phase and adequate education is not being offered to provide for talented people who can cope with issues peculiar to businesses in the venture phase.

Further, joint projects between private-sector firms and universities in Japan are normally centered on research and development activities, and it is very rare that universities or their affiliated research agencies involve themselves in commercialization projects. In Japan, public universities impose restrictions on the faculty relative to holding outside positions, making it difficult for them to aggressively engage in a new venture. In contrast, in the United States, the faculty at state universities are obligated to participate in regional community efforts and the financial status of private universities encourages establishment of venture firms with university participation as well as other joint efforts, while universities themselves frequently establish incubators for the development of venture firms.

Businesses in their emerging-growth stage face difficulty in recruiting superior talent because of the firms' limited name recognition and their inability to offer high salaries. Further, large firms offer high salaries and major fringe benefits such as annuities and advantages beyond good wages in the benefits area such as company loans which serve as factors to reduce the mobility of talented people once they are employed by a major firm.

In Japan, similar human resources shortages exist in terms of researchers engaged in product development as well as in the planning and marketing departments and this condition is identified as being the cause for the inability of small and midsized firms to commercialize newly developed products.

C. Potential for and Improvements in Mobility of Human Resources

A look at human resources mobility in Japan in the past 10 years shows some movement in this area, but nothing of conspicuous magnitude. However, surveys indicate that about one-half of those already employed intend to change jobs at some time in the future and that individuals with such intentions do exist to a certain degree regardless of the size of the employing organization. Such surveys demonstrate that the underlying potential for human resources mobility is high even in Japan and that as long as the right conditions can be offered, there is the large potential for a high manifestation of desires to change jobs in view of the fact that resignation rates increase during good times rather than recessionary periods.

Further, if individuals would initiate personal career plans, engage in independent career development, and increase the availability of professional talent, it is conceivable that there will be a spontaneous expansion in the mobility of human resources.

Effective use of human resources even in Japan can be promoted by means of procedures of the following nature to establish an environment providing for the efficient mobility of human resources.

1. Introduction of Stock Options

The recruiting of superior human assets by businesses will require an offer for compensation which adequately rewards capabilities and performance, but companies in the emerging-growth stage have difficulty paying high wages. Also, there is the problem wherein little incentive exists to improve performance in the areas of research and development and sales under wage systems that do not offer increased compensation to reward personal effort. In addition, there is a need in Japan to offer compensation which more than offsets differences in fringe benefits as a means to encourage human resources mobility.

In coping with issues of this nature at firms engaged in new ventures, a revision in the personnel system is conceivable premised on the development of generalists and seniority pay systems based on periodical step increases and the introduction of pay systems based on performance such as the offering of stock options.

Further, stock purchased through the exercise of stock options normally results in the transfer of existing company stock, but consideration can also be given to issuing warrants, which have the same effect as a stock option.

However, in Japan, current public listing rules require that warrants be exercised before public listing, thus imposing a need to revise rules so that warrants can be held even after public listing of a stock.

2. Expansion of Opportunities for Information Access

Companies in the emerging-growth phase have limited name recognition and limited opportunities for recruitment of talent, requiring them to devise measures to expand the opportunity for students to access information on job opportunities with the aid of the government.

Specific possibilities are sponsorship of information exchange opportunities by the VEC and businesses through the aggressive use of seminars and social activities that target students.

3. Improvement of Educational System

As a response to the issue of inadequate education targeting the management of firms in the emerging-growth phase in educational institutions, including universities and professional schools, it is necessary to improve the educational system by training personnel to educate and advise businessmen and by expanding professional education agencies such as small and midsized company colleges and opening and expanding university courses on "business establishment activities."

4. Use of Researchers at Universities

Establishment of an environment that facilitates the commercialization of research activities of university and government research laboratories will require, as an example, the relaxation of rules concerning commercialization of research and development activities of university professors and the expansion of financial aid such as budget increases and preferential tax treatment concerning research and development and technical development based on joint projects of government research centers and private firms.

Section IV. Social Environment Facets

A. Management Environment

1. Current Status and Issues Concerning Management Environment

In Japan, a company in the emerging-growth phase reportedly has difficulty developing and expanding sales to its clients. The reasons for this are not necessarily limited to the absence of an adequate organization to provide a stable supply of quality merchandise, and it is noted that the company's limited operating record creates a social evaluation of the concerned firm that is an obstacle to proper recognition of the new products offered by the firm. Mention is also made that such difficulties emanate from the fact that clients in the form of existing firms assume fairly conservative attitudes in their management and procurement decisions.

Further, on newly developed sales leaders, there is a tendency for major firms to dominate the market and to make it difficult for companies in the emerging-growth phase to earn profits as a pioneer, not to mention that it is at times difficult to sustain company operations per se.

Additionally, in Japan there is the issue of limited recognition of firms with rapid growth; those that succeed are not given proper recognition and company efforts are not adequately rewarded.

2. Measures To Improve Management Environment

Stimulation of corporate activities in the new venture area in consideration of the high risks associated with development of new sectors should be realized through measures to augment weaknesses in the dissemination of information and the establishment of a social environment that will enable the creation of a system to provide high social recognition, blessings, and adequate benefits to aggressive corporate activities and individuals who succeed in dealing in new business sectors. Specific possibilities include following actions:

a) Enhancement of Marketing Capabilities

Establish systems to improve marketing capabilities using information networks for companies in the emerging-growth phase.

Specifically, the VEC should assume responsibility for improving information services capabilities and for aggressively providing forums for interchange among firms.

Further, such firms should take adequate action to establish their independence and take advantage of alliances with other superior firms in the area of marketing.

b) Improvement of Protection for Intellectual Properties

Interests of company founders should be promoted by intensifying the protection of intellectual property rights such as patents by shortening patent evaluation periods to the shortest possible time and establishing a system to improve access by firms in the emerging-growth phase to patents held by major firms and public agencies and to information on research being conducted at universities and government research laboratories.

Further, businessmen should make active use of such systems and face the need to take adequate action to realize effective protection of intellectual assets.

Finally, financial institutions should improve capabilities to accurately evaluate intellectual property rights such as patents and establish systems for issuing credit on the basis of such rights.

c) Expansion of System for Recognizing Growth Firms

The issue of a scarcity in significant recognition actions for firms which accomplish high growth in a short period will require the establishment of a system for providing public and private recognition of growth firms and the promotion of publicity and image-enhancement actions for such firms.

d) Stimulation of Transactions Among Existing Firms

Procurement actions of existing firms including major corporations and government agencies should not be controlled by past procurement actions, but should be based on accurate evaluations of new product offerings and an effort to build new trading relationships. Further, in the establishment of certification standards, appropriate modifications are in order to accommodate the development of new products and new industrial sectors.

Further, expansion of sales to major firms will require very crucial efforts on the part of businesses in the areas of quality control and stable supplies.

B. Management Support Systems

1. Venture Capital

The continuous growth of a firm in its initial stages requires a steady supply of capital as well as the very important initial collective support of venture capital in the areas of specialized knowledge such as management know-how and a variety of information such as marketing data.

a) The Current Status and Problem Areas Concerning Venture Capital

In the United States, there are many venture capital firms in various business sectors with specialized knowledge and know-how in various development stages and that maintain wide-ranging networks with various sectors including government research agencies and universities in acting as collaborators in uncovering, developing, and aiding the public listing of new firms.

In Japan, a limited number of venture capital firms engage in such activities, but the majority dedicate themselves to supplying capital, and recipients of such capital are concentrated in those firms that are in the later stages of development. Further, the collapse of the bubble economy in recent years has brought criticism that nonperforming loans and difficulties in public offerings of stock have weakened the financial infrastructure and that investment actions have become increasingly conservative.

Further, venture capital firms with consulting departments as a specialty function firms are limited to about 20 percent. In Japan, the normal perception is that consulting is a support function which accompanies capital investments and it is rare that the service commands a separate fee. This situation had caused venture capital firms to be passive about consulting services and for businesses to rely very little on the services, minimizing its significance for such firms.

Further, the normal approach with U.S. venture capital firms is that they not only rely on specialist management support from outside sources, but they themselves join the management of firms in which they invest as members of the management team. However, in Japan, antimonopoly law guidelines restrict venture capital firms from dispatching managing directors or serving on a part-time basis and they are therefore unable to provide adequate management support.

b) Direction of Improvement

There is a need for venture capital firms to augment specialists in the areas of financial management and market development where firms in the establishment and development phase are particularly weak. Further, the growth of leading-edge industries requires the development of venture capitalists with specialized knowledge similar to that of a segment of U.S. venture capitalists with a view to improving the financial base of venture capital firms.

Further, the VEC should play a central role in building a network among venture capital firms and consider the construction of a system for the exchange of technical information among venture capital firms, universities, and research laboratories.

Finally, the feasibility of early investments should be enhanced by improving the financial base through the establishment of a system for facilitating liquidity by allowing for trading of investment instruments among venture capital firms lack of which currently restricts the cash flow of venture capital firms. There is also the need to relax antimonopoly rules to enable venture capital firms to provide effective management support through the assignment of directors to the board of firms in which they invest.

2. Corporate Accounting

a) Current Status and Issues of Corporate Accounting

In Japan, the issue of improving corporate accounting at firms in the emerging-growth phase is often discussed in connection with tax measures and preparations for public offerings. This situation has given birth to cases where managers themselves do not necessarily possess accurate control over the corporate financial and management situation, causing more than a minor impact on the growth and development of a firm. This situation has also become the principal cause for delays in the preparatory period for public offerings.

Further, in Japan, corporate accounting systems often undergo radical improvements during the preparatory period for public offerings, but this work is often performed without cost by the securities firm scheduled to become the principal underwriting firm. Preparations for public offering, including improvements in corporate accounting systems and the attendant work, entail considerable cost, but firms that aim to accomplish public offerings and underwriting securities firms must rely on underwriting profits to cover such costs, leading to the criticism that corporations end up with accounting systems that are designed primarily to meet standards for public offerings.

b) Direction of Improvements

Corporate accounting provides investors information on status of company operations and financial conditions to clearly depict the manner in which managers are discharging their responsibilities, while providing a picture of the future growth prospects of a firm by the degree of orderliness portrayed in the financial picture of the firm as represented by corporate accounting data. This being the case, firms which aim for high growth and development should recognize the importance of corporate accounting at an early stage and strive for its improvement, while investors should make investments emphasizing corporate audits.

C. Tax System Measures

The efficient procurement of capital by firms in the emerging-growth phase and the effective development of businesses will require a review of all the issues discussed in this paper, a modification of the recognition given securities with low marketability, a revision of tax systems peculiar to family partnerships and capital gains taxes, and an adequate review of tax systems and measures with a view to promoting investments in firms in the emerging-growth phase.

North Korea

Spokesman Denounces Ulchi Focus Lens Exercise

SK2408131794 Pyongyang Korean Central Broadcasting Network in Korean 1210 GMT 24 Aug 94

[Text] A DPRK Foreign Ministry spokesman on 24 August issued a statement denouncing South Korean and U.S. authorities for conducting the aggressive and provocative Ulchi Focus Lens joint war exercise.

The statement of a DPRK Foreign Ministry spokesman follows:

Since 22 August, South Korean and U.S. authorities have been conducting the Ulchi Focus Lens combined system exercise in South Korea.

The United States has officially announced that it will hand over the right of operational command for the U.S. 7th Fleet to the U.S.-South Korea Combined Forces Command in case of emergency on the Korean peninsula, with the present exercise as a turning point.

The Ulchi Focus Lens joint military exercise is a large-scale comprehensive and three-dimensional command exercise that is thoroughly aimed at us as their target of attack. Like the Team Spirit joint military exercise, a preliminary war and a test nuclear war exercise, it is an aggressive and provocative war exercise.

As the entire world knows, the DPRK-U.S. statement of agreement was issued by us and the United States and an atmosphere for detente and peace was created. We cannot but take note of [munjesi haji anulsu optta] the fact that the aggressive military exercise is conducted when the world is welcoming the agreement.

Conservatives of the U.S. military have started a war exercise against us with the South Korean fascist ring. Clearly, this seriously runs counter to the spirit of the DPRK-U.S. agreement and cannot be interpreted otherwise than a conscious, adventurous hostile act of not wanting a peaceful solution to the nuclear problem and an open military confrontation commotion fully negating North-South dialogue [chomi habui chongsingwanun simhui ogunnalppunanira haengmunjeui pyonghwajok haegyorul paraji annun uisikchogigo mohomjogin choktaehaengwi imyo pungnam taehwarul chonmyonjoguro pujonghanun nogolchogin kunsajok taegyol sodonguro pakkenun tallibolsuopta].

In particular, the U.S. military, which has decided to assign the 7th U.S. Fleet Forces to the U.S.-South Korea Combined Forces Command in an emergency, will even have these forces participate in this military exercise. This clearly exposes its hidden intention to systematically reinforce its aggression forces occupying South Korea and, thus, launch military operations against us at all costs.

The United States must not commit hostile acts, such as provocative military exercises that intensify the situation on the Korean peninsula and inspire North-South confrontation, but commit acts beneficial to ensuring peace and security on the Korean peninsula.

If the South Korean authorities try to find an exit from their destruction by bringing in outside forces and going against their fellow countrymen in collusion with those outside forces, this will be a miscalculation and, rather, only hasten their ruin.

Our people sincerely hope for peace but will never beg for it. Our people and People's Army will keenly watch the military movements of the United States and the South Korean authorities.

'Targeted Pointblank' at North

SK2508004394 Pyongyang KCNA in English 1617 GMT 24 Aug 94

["Korean People Want Peace But Never Beg for It, FM Spokesman"—KCNA headline]

[Text] Pyongyang, August 24 (KCNA)—The Korean people sincerely want peace but never beg for it, declares a spokesman of the Foreign Ministry [FM] of the Democratic People's Republic of Korea in a statement issued today on the Ulchi Focus Lens joint military exercise of the United States and the South Korean authorities.

The statement says: The Ulchi Focus Lens is a large-scale combined and three-dimensional command-post exercise targeted pointblank against the DPRK and an aggressive and provocative war game like the Team Spirit joint military exercises, a test nuclear war and a preliminary war.

We cannot but take a serious view of the aggressive military exercise being staged at a time when a climate of detente and peace has been created with the agreed statement issued between the DPRK and the United States.

The military exercise being staged by the conservative forces of the U.S. military together with the South Korean fascist group against the DPRK is a deliberate and adventurous hostile action obviously contradicting the spirit of the DPRK-USA agreement and going against a peaceful solution to the nuclear issue, and it is an open military confrontation racket totally denying North-South dialogue. It cannot be construed otherwise.

Especially, the U.S. military has decided to place the U.S. seventh fleet under the "South Korea-U.S. combined forces command" in case of emergency and included it in the current military rehearsal. This fully reveals its ulterior intention to reinforce its aggression forces in South Korea systematically and carry out a military operation against the DPRK at any cost.

The United States must refrain from all hostile acts such as provocative military exercises aggravating the situation on the Korean peninsula and inciting North-South confrontation and do things helpful toward preserving peace and stability on this peninsula.

If the South Korean authorities try to find a way out of destruction in inviting outside forces and opposing the fellow countrymen in collusion with them, it is a mistake and will only precipitate their own destruction.

The Korean people and the People's Army will sharply watch the military movements of the United States and the South Korean authorities.

Commentary Views 'Dangerous' Ulchi Focus Lens

SK2508111994 Pyongyang Korean Central Broadcasting Network in Korean 1225 GMT 24 Aug 94

[Commentary by Yun Pyong-son: "Deliberate Maneuvers To Find a Pretext for War"]

[Text] A very dangerous Ulchi Focus Lens joint military exercise is being staged in South Korea. Timed to coincide with this, the Kim Yong-sam puppet clique is more frantically waging military provocations in the Demilitarized Zone [DMZ] against the northern half of the Republic.

According to a report, on 22 August, armed bandits of the puppet army crawled into the DMZ south of Sangpan-ri and Yonghyon-ri, Kumhwa County and fired more than 40 large-caliber machine gun and automatic rifle bullets, while frantically running about in these areas.

Earlier, on 21 August, the puppets brought 90-mm recoilless guns and 12.7-mm machine guns into many places in the south of the DMZ, and installed these heavy weapons in broad daylight to aim at outposts on our side. They staged a fire strike exercise while aiming at the outposts for a long time.

In addition, on 21 and 22 August, the puppets brought hundreds of bandits armed with machine guns and automatic rifles into the area in front of Kwijon-ri, Changpung County in the western front, into the area in front of Pomak-ri, Chorwon County in the central front line, and into the DMZ south of Maebong, Kumgang County in the eastern front line, and thus caused a commotion.

Because of this, the safety of soldiers of our People's Army was gravely threatened and the situation around these areas was further strained.

The military provocations committed by the South Korean puppets in the DMZ are maneuvers that should not be overlooked in view of the alarming situation [simsangchi annun sataedulgwa] that has been taking place in South Korea recently.

As has been known, the Ulchi Focus Lens joint war exercise is being staged in South Korea despite strong protests and denunciation by the people at home and abroad.

Hundreds of thousands of troops, including combined headquarters of the U.S. Army, Air Force and Navy, including the U.S. Joint Chiefs of Staff; armored car and tank divisions deployed in the U.S. mainland and Pacific region; a mechanized infantry division; an air attack division and airborne division; U.S. Pacific Navy and Air Force commands; U.S. imperialist aggressive forces in South Korea, and the puppet army, navy and air force divisions, have been mobilized in this war exercise, which the traitorous Kim Yong-sam clique is staging with the U.S. imperialists.

Also, the 7th U.S. Fleet; the Blue Ridge, a warship that commands landing units; groups of combat vessels of various types; air corps of various sorts; missile units; cannon; tanks; armored carriers; and other war materiels were deployed en masse.

As shown, the war exercise, just like the Team Spirit joint military exercise, is a very dangerous experimental war and preliminary war to launch a preemptive surprise attack on the northern half of the Republic, even though the puppets state that the exercise is a command post exercise and is not dangerous.

This war exercise is being conducted on land and sea and in the air in South Korea, in which massive forces of several hundred thousand strong and the latest war materiels are mobilized and in which all warlike bosses are participating. No one knows when this war exercise will switch over to an actual war.

The situation on the Korean peninsula, which had been going toward detente, has turned into a confrontational phase again because of the Kim Yong-sam ring's treacherous maneuvers and is going toward the brink of war because of the provocative Ulchi Focus Lens joint military exercise. At such a time, the South Korean puppets successively brought heavy weapons and armed bandits into the DMZ along the Military Demarcation Line, where the two sides' forces are confronting each other tensely, and tried to make provocations there while firing guns. This is a deliberate and planned maneuver to find an excuse to provoke a war of northward aggression at all costs and expand it into a full-scale war. This clearly shows the extent the puppets' war frenzies have reached.

The South Korean puppets are more viciously committing military provocations inside the DMZ. This is related to the serious political crisis facing them. The Kim Yong-sam ring aimed guns at its fellow countrymen who suffered a misfortune and bestially suppressed the South Korean youth, students, and citizens for expressing their condolences. It is, therefore, condemned and denounced not only by its fellow countrymen, but by the people of the world as barbarian. The South Korean people no longer consider Kim Yong-sam as a human being or their fellow countryman but are rising up to overthrow him.

Even the puppets' masters denounce them for maintaining the National Security Law, a vicious antireunification fascist law, wielding it at random, mercilessly violating people's human rights, and blocking the fatherland's reunification. The Kim Yong-sam ring, which, therefore, has been driven into the worst predicament since it took power, is further intensifying tension inside the DMZ and, thus, trying to divert people's attention elsewhere, hold in check the growing opposition toward the government, and escape from the crisis facing it. However, war commotions will only aggravate confrontation and will never serve as an exit.

Those who like to make fires are certain to be burned to death in the fires they have made. The destiny of the puppet Kim Yong-sam clique, which, just like fools rushing in where angels fear to tread, is continuously aggravating tension and going toward provoking a war, will be no different. The puppet clique must clearly see people's aspirations and the trend of the era and must not run wild.

Increase in South's 'Military Provocations' Noted

SK2508122494 Pyongyang Korean Central Broadcasting Network in Korean 0250 GMT 25 Aug 94

[Unattributed talk: "Commotions of Military Provocation Which Heighten Tension"]

[Text] At the moment, the Kim Yong-sam puppet clique is straining the situation on the Korean peninsula, while being hell-bent on its war maneuverings.

This is clearly shown by the fact that the South Korean war-loving elements' recent military provocations in the Demilitarized Zone [DMZ] are being committed more frequently.

To cite some examples, on 9 August, the South Korean puppets brought two units of (?90)-mm recoilless guns and (?12.7)-mm large-caliber machine guns into the DMZ area southeast of Ipo-ri, Kumgang County. Timed with this, about 30 armed rascals, who had squatted in the military police guard post there, were placed—in an emergency position—into a combat lookout posture by occupying an encampment.

Following this, about 10 armed rascals undisguisedly installed the heavy weapons, which had been introduced, in the encampment. They loaded live shells and all took a position of sighting shots at our side's guard post, thereby committing a reckless provocative act. As a result, the safety of our soldiers was seriously threatened.

Along with this, the South Korean puppets incited a blood-thirsty war atmosphere in the DMZ area by bringing armed rascals (?for a northward invasion) into the DMZ area.

On 6, 9, and 10 August, the Kim Yong-sam puppet clique displayed a war frenzy by placing the puppet army's armed rascals into—and having them frantically run about—the DMZ areas southeast of Wonnam-ri, Kimhwa County; in front of Kumsan-ri, Chorwon

County; in front of Chanam-ri, Pyonggang County and of Mt. Taedok in Changpung County; and in front of Imgang-ri.

The number of armed rascals, whom the South Korean puppets illegally brought into the DMZ area from 5 to 10 August, totaled as many as about 3,100.

Meanwhile, the rascals are straining the situation in this area, while digging out combat encampments against us within the DMZ area.

The number of vehicles of various kinds, which the South Korean puppets had brought into the DMZ area from 1 to 10 August for the purpose of digging out encampments, totaled about 1,700.

The acts of military provocation, which the South Korean puppets commit around the DMZ area, are becoming all the more excessive with each passing day.

Following 11 August, also on 16 and 17 August, the South Korean puppets brought and deployed the armed rascals and heavy weapons in the DMZ area, thereby committing an act of military provocation against us.

On the morning of 16 August, the Kim Yong-sam puppet clique brought (?90)-mm recoilless guns and 12.7-mm large-caliber machine guns into a guard post in front of Kumsan-ri on the central front line. They deployed those guns on the left and right sides of the guard post, and committed a provocative act of having numerous armed rascals take a position of sighting shots aimed at our side's guard post.

Also on the morning of 17 August, the South Korean puppets openly brought a total of about 1,000 armed rascals and about 30 military vehicles into the DMZ areas in front of Pongchang-ri, Panmun County; of Mabang-ri, Chorwon County; of Paekhyon-ri, Changdo County; and of Ipo-ri, Kumgang County.

The puppet army's rascals armed with machine guns and automatic weapons created a blood-thirsty war atmosphere by indiscriminately running about on the western, central, and eastern front lines in the DMZ area.

We cannot but take seriously the fact that they are artificially inciting the North-South confrontation, while continuing to reinforce lethal equipment and armed forces in the DMZ area where the armed forces of the two sides stand confronting each other in a tense atmosphere across the Military Demarcation Line [MDL].

The Kim Yong-sam puppet clique's continued acts of military provocation, which are committed within the DMZ along the MDL, are the puppets' premeditated schemes aimed at opposing national reconciliation and unity between the North and South, and finding a way out through a war provocation.

The following is already known: At the beginning of this year, the puppet traitor Kim Yong-sam—who opposes a great deal the country's peace and reunification—incited a war fever, running about the military units along the front line, while wearing combat fatigues. The traitor Kim Chong-pil, head of the Democratic Liberal Party, made war-loving gibberish that should a war break out, he would come out onto the front line, even as an Army private.

The following is also widely known: Having mapped out a war plan for a northward invasion called the New Operational Plan 5027, the South Korean puppets brought ultra-modern weapons, including the Patriot missiles—weapons of mass destruction—and Apache helicopters into South Korea, have incessantly made violent war remarks by talking about launching a surprise bombing on the Yongbyon area in the North, about being ready for a war, and about making use of a punishment against the North as an opportunity to accomplish reunification.

In view of this, it is clear that the South Korean puppets' continued military provocation, which has recently been committed within the DMZ area along the MDL, is a deliberate and premeditated act of provocation aimed at finding an excuse for a war by irritating us.

At the moment, the Kim Yong-sam ring is trying to strain the situation through reckless commotions of military provocation; and to avert a crisis in the ring's rule, and find a way out by finding an excuse for provoking a war. But, this is a silly, wild fancy.

Our people and People's Army will mete out a severe punishment upon those who dare to harm us.

The Kim Yong-sam ring should remember that a traitorous act of trying to confront their compatriots is a road to their shameful ruin.

DMZ 'Provocations' Denounced

SK2508054594 Pyongyang KCNA in English 0535 GMT 25 Aug 94

["Uninterrupted Military Provocations in DMZ"—KCNA headline]

[Text] Pyongyang, August 25 (KCNA)—The South Korean puppets on August 23 introduced a 90 mm recoilless gun and a 12.7 mm machine gun into the demilitarized zone (DMZ) east of Sakyong-ri, Chorwon county, in the central sector of the front, installed them at a position and staged a sighting drill against a post of the North side, getting on its nerve, according to military sources.

On the same day, they brought scores of puppet army bandits armed with machine guns and automatic weapons in the DMZ southwest of Chonam-ri, Pyonggang county in the central sector of the front to incite war fever. They also illegally brought more than 700 bandits and 20 odd military vehicles into the DMZ in the central sector of the front.

And they let more than 200 bandits armed with machine guns and automatic weapons take a position all at once in the DMZ east of Mt. Tumu, Kosong county in the eastern sector of the front and threaten the North side.

We cannot but take a serious view of the fact that such arms buildup and military provocations of the puppets were timed to coincide with the criminal Ulchi Focus Lens joint military exercise now under way with the whole of South Korea as its operational theatre.

If the Kim Yong-sam group persistently seek confrontation and war, ignoring our repeated warnings, the provokers will face a severe punishment.

Ambassador to Sweden on Nuclear, ROK Issues

BR2408145494 Rotterdam NRC HANDELSBLAD in Dutch 23 Aug 94 p 4

[Report on interview with Yom Kyong-sik, close associate to Kim Il-song and North Korean ambassador to Sweden, by Lolke van der Heide in Stockholm on 23 August: "North Korea Is Transforming Its Mourning Into Strength"]

[Text] Swedish neighbors refer ironically to "the club" when they discuss the North Korean Embassy, a stately, yellow mansion in Lidingoe, a wooded suburb of Stockholm. The North Korean community lives there completely isolated from the outside world, combining living and working on the embassy grounds.

North Korea has no embassies in European Union (EU) countries. In order to speak to diplomats from Pyongyang in Europe, one has to travel to the periphery of the EU: Sweden, Finland, Austria, or Switzerland.

Yom Kyong-sik (aged 57), North Korean ambassador in Sweden, is a cordial man. He pours the coffee himself and appears, still, genuinely moved by the death of 82-year-old "Great Leader" Kim Il-song on 8 July. But there could be no misunderstanding about the question of succession, Yom said. "Kim Chong-il did not have to be chosen, for the last 20 years he has been our leader of the Army, party, and state," Yom said. "The people still call him 'Beloved Leader,' but in fact he is the new 'Great Leader.' It is up to the people to decide how it calls its leader. That is difficult for a westerner to understand." Despite reports in the North Korean press pointing to the opposite, Kim junior is in very good health, Yom said. "He is just very tired because of the death of his father, but now we are about to transform mourning into strength.

Until he became ambassador to Stockholm two years ago, Yom worked at the Foreign Ministry in Pyongyang and was a confidant of Kim Il-song. As such he belongs to the higher echelons in the North Korean hierarchy.

Yom emphasizes the peaceful intentions of his government. They were proven by the agreement which North Korea made 10 days ago in Geneva with the United States, he said. Under the agreement, Pyongyang agreed to replace its graphite power stations with light-water power stations, from which the country cannot distill plutonium to make nuclear weapons. Other questions, namely additional inspections of the five-megawatt power station in Yongbyon, remained outside the agreement.

The ambassador is surprised that the United States is now starting to request additional inspections, President Clinton made this demand last week. "During the last round of talks a 'special status' was agreed upon for our country," Yom said. "The demand of additional inspections is not included in the agreed text. We do allow inspectors to come to Pyongyang, but then they are under our supervision." Yom spoke of "forced inspections with a military objective which have nothing to do with nuclear energy."

Yom says the international community has wrongly pressed his country hard in recent years. Pyongyang has always fulfilled all its obligations. "Let me give an example," he said. "In May 1992, a number of delegations from the International Atomic Energy Agency (IAEA) came to our country to carry out inspections. One of these groups wanted to make two additional visits outside the agreed facilities. The inspection was led by Swede Hans Blix (director of the IAEA) and we even gave him the freedom to look at more than had been agreed. But then they wanted to visit other military installations and so it continued. We have to draw a line somewhere."

[Van der Heide] If your country wants peace then you can have nothing to hide.

[Yom] You must understand that since the Korean war ended in 1953, our country has been in no more than a pause in war. War can break out again at any moment. At the border with South Korea, we are facing 16 UN countries, with the United States as the great power. A hundred nuclear weapons and 40,000 U.S. soldiers are located in South Korea. So for these reasons would it not be difficult for us to reveal all our military secrets? Just imagine: There is a nuclear war and we have only one nuclear weapon and they have a hundred.

[Van der Heide] So you want your own nuclear bomb for defense?

[Yom] No, we have no wish to have our own nuclear weapons or to invade South Korea. But I ask you: Why are so many U.S. soldiers still on the Korean peninsula? Since the Cold War is over there is no reason for the United States to still have troops here. But they do have them and therefore we must remain vigilant. The key question is: What do the Americans want?

[Van der Heide] Are you afraid of the Americans?

[Yom] Yes, we watch them. We are afraid of them, not of South Korea.

[Van der Heide] Since the collapse of the Soviet Union, only China remains as a major ally of North Korea; that must have caused problems.

[Yom] Since the liberation of our country in 1945, we have developed completely independently. We have never been dependent on Moscow or Beijing. We have built up our own Socialist system and our people want to keep it. Of course the disappearance of the Soviet Union did not pass us by unnoticed, but we have managed to find contacts and trade in Asia to replace it.

[Van der Heide] South Korea has offered to supply the new light-water power station. Will you accept?

[Yom] A South Korean representative was here a few days ago and he made some very negative remarks: As a precondition for supplying the power station, he wanted forced inspections by the IAEA. We will never accept such preconditions, not from South Korea, not from the United States, not from Japan, not from anybody. We do nothing under pressure. Dismantling the graphite power station is already an enormous step for us. We are only doing it because otherwise the whole world will continue to have a poor view of us. [end of Yom interview]

At the end of the interview, Yom dreams aloud of Korean unification, which he longs for passionately. "South Korea is the same country as ours, the same history, the same background, the same people. It will be a long road, that is certain. I see a confederation first, with two governments (one country, two systems). We would open the frontiers and allow the Koreans to decide themselves which system they prefer and where they want to live."

The first "precondition" is a change in the leadership in Seoul. South Korean President Kim Yong-sam was recently described by Pyongyang as "a dictator of the worst kind." These are not words which point to reconciliation. "No, my people do not like him," Yom says, "Kim Yong-sam did not even react to the death of our great leader and banned his citizens from mourning. We find that inhuman."

Yi Chong-ok Attends Pyongyang Hanminjon Meeting

SK2508022694 Pyongyang KCNA in English 1611 GMT 24 Aug 94

[Text] Pyongyang, August 24 (KCNA)—A Pyongyang meeting was held today to mark the 25th founding anniversary of the South Korean National Democratic Front (Hanminjon).

Hanminjon is a mass vanguard organization which has struck its roots deep among South Korean people of broad segments. South Korean revolutionaries founded the revolutionary party for reunification on August 25, 1969, and renamed it as Hanminjon on July 27, 1985, in compliance with the new requirements of the developing revolution.

Present at the meeting were Yi Chong-ok, member of the Political Bureau of the Central Committee [C.C.] of the Workers' Party of Korea [WPK] and vice-president; Choe Tae-pok, alternate member of the Political Bureau and secretary of the C.C., the WPK; Yu Mi-yong, chairperson of the C.C., the Chondoist Chongu Party; and other senior officials of political parties and social organizations, chairmen of the North side headquarters of the National Alliance for the Country's Reunification (Pomminnyon) and the National Alliance of Youth and Students for the Country's Reunification (Pomchonghangnyon) and working people in the city.

Yi Chong-sang, chief of the Pyongyang mission of Hanminjon, was also present at the meeting.

The participants in the meeting observed a silent tribute to the memory of the respected leader President Kim Il-song, who devoted his whole life to the freedom and happiness of the people and to the independent and peaceful reunification of the country.

In his report Choe Tae-pok said the 25 years of Hanminjon have been years of a worthwhile struggle in which the uninterrupted reactionary offensive of the enemies at home and abroad and their appeasement and deception have been decisively smashed under the banner of the great chuche idea and its ranks have been strengthened to be invincible forces and in which a new phase of historical turn has been opened in the movement for independence, democracy and reunification through the rigorous anti-U.S., anti-fascist struggle.

Referring to the background of the founding of Hanminjon and its historical course, the reporter said:

Though Comrade Kim Il-song, a peerless patriot, a legendary hero and the tender-hearted father of the nation, passed away, the South Korean people are now determined to carry out his behests for reunification without fail, keeping his great image always in their memory. And they are resolved to accomplish the noble cause of national reunification in the '90s, holding in high esteem respected Comrade Kim Chong-il, the successor to the cause of chuche and the great leader of our party and our people, as the leader of the nation and the lodestar of national reunification.

The platform, policy and slogans of Hanminjon, which correctly reflect the desire and demand of the South Korean people, have been fully accepted by the masses of broad segments and recognised as the common programme and objective of their struggle. The purposeful movement of the South Korean people for independence, democracy and reunification has gained in scope.

The ugly nature of the Kim Yong-sam "government" which emerged under "civilian" veil has been brought to light these days and its crisis is getting more and more serious.

The entire Koreans including the South Korean people do not regard the Kim Yong-sam group ignorant of politics, morality and etiquette as human beings and fellow countrymen and are vigorously fighting to remove them from the nation.

The South Korean people have begun a new struggle to reunify the country in the 1990s through great national unity while intensifying the anti-U.S., anti-Kim Yong-sam struggle.

This clearly proves that Hanminjon is successfully performing its role as the true patriotic vanguard that leads the movement for reforming South Korean society and the vanguard unit in the struggle to promote national reunification.

In order to reunify the country through great national unity, it is imperative to hold fast to the principle of national independence and remove the anti-national forces seeking North-South confrontation and war from our nation.

The reporter expressed the belief that the South Korean people would unite firmly around Hanminjon, have the anti-reunification "National Security Law" scrapped and overthrow the colonial fascist rule by their struggle and establish a new self-determined democratic government.

WPK Sends Congratulatory Message to Hanminjon

SK2508055194 Pyongyang KCNA in English 0509 GMT 25 Aug 94

[Text] Pyongyang, August 25 (KCNA)—The Central Committee of the Workers' Party of Korea [WPK] sent a congratulatory message on August 25 to the Central Committee of the South Korean National Democratic Front (Hanminjon) on the occasion of its 25th founding anniversary.

The message said that the foundation of the revolutionary party for reunification, the predecessor of Hanminjon, on August 25, 1969 was a brilliant embodiment of the idea and theory on the chuche-oriented party building elucidated by the great leader Comrade Kim Il-song and a historical declaration heralding a new start of the movement for changing the South Korean society.

The message noted that Hanminjon, a true vanguard organisation of the South Korean people, has constantly strengthened the driving force of the movement for a change and waged a powerful struggle for national liberation, democracy and national reunification under the banner of the chuche idea in defiance of the harsh colonial fascist rule and thus recorded shining victory and feats in the history of the South Korean people's struggle.

It stressed:

It is the main task of Hanminjon to terminate the colonial fascist rule of the U.S. imperialists, establish an independent democratic government and realize the independent and peaceful reunification of the country.

This line of Hanminjon, correctly reflecting the demand and desire of the South Korean people, has been accepted by them as their own and has born a brilliant fruit in the struggle for independence, democracy and reunification.

In South Korea the anti-U.S., national liberation struggle has become the main current of the mass movement and the movement for democratization and national reunification has been vigorously conducted in the march for independence, with the result that the movement for changing the society has greeted a historical period of turn.

The trust of the South Korean people in Hanminjon is growing ever deeper and support and solidarity of the world progressive people for it is ever increasing.

The WPK Central Committee is sincerely rejoiced over all the victories and achievements made by Hanminjon and highly estimates them.

The South Korean authorities now in a serious crisis are laying grave obstacles to national reunification while raising a raging wind of the "new security-oriented rule" with the sword of fascism and division in an undisguised way. No matter how desperately they may try, they cannot escape from destruction and block the grand reunification march of the whole nation.

The WPK Central Committee is firmly convinced that Hanminjon will arouse the broad popular masses of South Korea to overthrow the "civilian" dictatorial regime and open an epochal new phase of independence, democracy and reunification.

Paper 'Ridicules' Kim Yong-sam's 'Balderdash'

SK2508104394 Pyongyang KCNA in English 1018 GMT 25 Aug 94

["What's The Balderdash For?"—KCNA headline]

[Text] Pyongyang, August 25 (KCNA)—Kim Yong-sam on August 20 decried the system of the North, throwing together a balderdash about its "internal situation" and "instability". Commenting on this, NODONG SINMUN today ridicules his utterances as an epileptic fit revealing the internal uneasiness and instability of the "regime" in South Korea.

Noting that South Korea is in the grip of social disorder and the Kim Yong-sam group is floundering in a hopeless crisis of its rule, the analyst goes on:

The crisis, disorder and instability of the South Korean "regime" are offsprings of the repeated political blunders of such incompetent and impudent Philistines as Kim Yong-sam.

Only recently, the traitor Kim Yong-sam has made a long string of blunders and drunk many bitter cups of setbacks in the policy toward the North and external and internal policies.

The internal situation of the ruling "Democratic Liberal Party" of South Korea is unstable and "Chongwadae" [presidential offices] is at a loss what to do. The forces of the national democratic movement do not regard Kim Yong-sam as a fellow countryman or a human being but are lifting up loud voices calling for "the overthrow of Kim Yong-sam".

Kim Yong-sam's hokum about the "instability" of the North is a crafty ruse to divert elsewhere the edge of resistance directed to him driven into a bottomless pit by his mistake-ridden treacherous politics and find a way out of it.

Judging from his earlier trash about "a change" in the North when a misfortune befell fellow countrymen, his mismash about "instability" is an indication that he is casting a covetous eye to the North. But we warn him not to dream a foolish dream.

For its most solid and powerful socialist system and might of singlehearted unity, our Republic has been and is invincible and will make a longer drive in the future.

Kim Yong-sam would be well advised to mind his life on the doorstep of death, instead of talking nonsense against others, sitting on a volcano on the point of eruption.

Japanese Finance Official's Remarks Denounced

SK2508060594 Pyongyang KCNA in English 0513 GMT 25 Aug 94

[Text] Pyongyang, August 25 (KCNA)—Saito, vice-minister of Finance of Japan, at a press conference on August 22, claimed in a far-fetched manner that "the question of compensation to the 'comfort women for the army' has been solved between countries", thus openly opposing compensation, according to a report from Tokyo.

This is a mockery of the international community which wants Japan to liquidate her past and a crafty ruse to cover up the past crimes of the Japanese imperialists at any cost and refuse compensation.

It is a hard fact recorded in history that the Korean people and the Asian people underwent immeasurable sufferings from the aggression, brutalities, exploitation and looting by the Japanese imperialists in the past, and it is an unavoidable obligation of Japan to compensate for them.

Nevertheless, Japan refuses to clearly liquidate her past, ignoring the strong protest of unbiased public opinion. This fully reveals the sinister intention to repeat the aggressive crimes of the past.

Japan must make material compensation with apology breaking with her disgraceful past, discarding the anachronistic design to realize the old criminal dream of "the greater East Asia co-prosperity sphere."

'Face of North Korea' Album Published in Japan

SK2408235794 Pyongyang KCNA in English 1550 GMT 24 Aug 94

[Text] Pyongyang, August 24 (KCNA)—A Japanese reporter, Koji Takazawa, published a photo album titled "Face of North Korea", according to a foreign press report.

Carried in it are 250 pictures showing the happy life of the Korean people.

Hwang Chang-yop Meets Visiting French Legislator

SK2508053394 Pyongyang KCNA in English 0451 GMT 25 Aug 94

[Text] Pyongyang, August 25 (KCNA)—Hwang Chang-yop, secretary of the Central Committee of the Workers' Party of Korea and chairman of the Foreign Affairs Committee of the Supreme People's Assembly, Wednesday met and had a friendly talk with Michel Aloncle, secretary of the Foreign Affairs and National Defence Committee of the French Senate.

Chon Yon-ok at Film Marking Indian Independence

SK2508055094 Pyongyang KCNA in English 0459 GMT 25 Aug 94

[Text] Pyongyang, August 25 (KCNA)—A film show was held here on August 24 on the occasion of the 47th anniversary of the independence of India.

Invited there were Indian Ambassador to Korea Adya Nand Jha and his embassy officials.

Present there were Chon Yon-ok, vice-chairperson of the Committee for Cultural Relations With Foreign Countries and vice-chairperson of the Korea-India Friendship Association, other officials concerned and working people in the city.

The participants appreciated Indian documentary and feature films.

Prior to this, they saw Indian pictures on display.

Pak Song-chol Heads Delegation to Libya

SK2508105494 Pyongyang KCNA in English 1036 GMT 25 Aug 94

[Text] Pyongyang, August 25 (KCNA)—A delegation of the Government of the Democratic People's Republic of Korea led by Vice-president Pak Song-chol left here today to participate in the celebrations of the 25th anniversary of the great September First Revolution of Libya.

It was seen off at the airport by Vice-premier and Foreign Minister Kim Yong-nam and officials concerned, and Ramadan Muhammad El Laubi, acting secretary of the People's Committee of the People's Bureau of the Great Socialist People's Libyan Arab Jamahiriya in Pyongyang.

German Ministry on Leaflets, Kim Pyong-il Rumor

LD2408144894 Helsinki Suomen Yleisradio Network in Finnish 1300 GMT 24 Aug 94

[Text] The German Foreign Ministry has confirmed reports about subversive leaflets in the North Korean capital Pyongyang. The leaflets are regarded as the clearest indication so far of a power struggle in North Korea. The country's embassy in Helsinki, for its part, says that Kim Chong-il, the son of the deceased president, will be appointed leader of the country in the very near future. Kalle-Ville Lahtinen reports:

[Lahtinen] A secretary at the North Korean Embassy in Helsinki said this morning that he had had talks with Ambassador Kim Pyong-il. In response to a request for an interview, the ambassador said that he would agree when the transfer of power in North Korea was settled. According to the ambassador, this would happen very soon. No date was mentioned.

The information is interesting. First of all, North Korea's ambassador to Finland is the son of the country's recently deceased leader, Kim Il-song, as is Kim Chong-il, who is due to become the new president. For this reason, the ambassador's words are of special weight.

Second, the reference to the incomplete transfer of power is an indirect admission that the plan is really still open.

Third, one can interpret that the embassy is trying to calm sentiments in the midst of rumor-mongering about leaflets amazingly being distributed in the diplomatic quarters of the North Korean capital Pyongyang, which as far as is known, call for the overthrow of the recent system. No diplomat admits having seen the leaflets, but the German Embassy in Tokyo has received a message from its representatives in Pyongyang. These officials bear witness to the leaflets' existence. Moreover, after the alleged distribution of the leaflets, North Korean radio, in a transmission heard in Japan, suddenly warned against revolutionary forces.

A new enigma is also attached to the North Korean ambassador in Helsinki. According to the latest newspaper reports obtained by the AP news agency from South Korea, the ambassador in Helsinki is supposed to have left Finland and reported to be seeking asylum in Austria. The North Korean Embassy did not answer any queries a few moments ago.

Finland Denies Kim Pyong-il Defecting to Austria

LD2408192694 Helsinki Radio Finland in English 1900 GMT 24 Aug 94

[Text] A Finnish Foreign Ministry spokesman has denied South Korean press rumors that the North Korean Ambassador to Helsinki has defected to Austria. The report came as reports have been increasing of dissent in North Korea. Ambassador Kim Pyong-il, who is the younger son of the late president Kim Il-song, attended a reception at the Ukrainian Embassy in Helsinki on Wednesday.

Foreign Media: Kim Chong-il 'Military Genius'

SK2508054494 Pyongyang KCNA in English 0457 GMT 25 Aug 94

["His Excellency Kim Chong-il, Military Genius"—KCNA headline]

[Text] Pyongyang, August 25 (KCNA)—Foreign papers gave wide publicity to the achievements made by supreme commander of the Korean People's Army Comrade Kim Chong-il in the cause of army building and highly lauded him as an ever-victorious iron-willed brilliant commander.

The Indian paper INDIAN TIMES said:

Comrade Kim Chong-il, who inherited the traits of a veteran commander from President Kim Il-song, has performed immortal exploits in building the People's Armed Forces as a brilliant commander.

What holds a special place in his exploits is that he formulated a man-centred military science by consummating the military idea, theory and method of chuche in an integral system.

He has propounded unique ideas, theories, strategy and tactics and methods of chuche for the building of the people's Armed Forces, including the idea of modelling the whole army on the leader's idea and firmly establishing the leadership system of the party in the army and the idea of giving full play to the political and ideological superiority of the revolutionary Armed Forces and strengthening the people's army in military technique.

The Indonesian paper MERDEKA said in an article titled "Kim Chong-il and Korean People's Army":

The august name of His Excellency Kim Chong-il, supreme commander of the Korean People's Army, is the banner of victory and a symbol of invincibility that inspires the Korean people and the people's army with the conviction of sure victory.

He puts forward future issues that no one has ever conceived, while correctly solving all military problems arising at present in strengthening the Revolutionary Armed Forces.

Every policy put forward by him to the People's Army and every measure taken by him for the strengthening of the revolutionary Armed Forces are associated with his rare and distinguished wisdom.

His Excellency Kim Chong-il enjoys absolute trust among the Korean people as a military genius fully possessed of all the traits and qualities of an outstanding military strategist.

The Egyptian paper AL SIYASSI, the Indonesian paper BERITA YUDA, the Pakistani paper MUSLIM and the Malian paper AURORE introduced the achievements of Comrade Kim Chong-il in the cause of army building under the titles "Kim Chong-il, Military Genius," "Kim Chong-il, Supreme Commander of the Korean People's Army," etc.

Chang Chol Attends Art Show on Kim Il-song

SK2508063094 Pyongyang KCNA in English 0523 GMT 25 Aug 94

[Text] Pyongyang, August 25 (KCNA)—An art show "The Great Leader Comrade Kim Il-song Is Always With Us" was opened at the Korean art gallery on August 24.

Displayed there are more than 80 art works including the oil painting "The Great Leader Comrade Kim Il-song Crossing River Amnok With Grand Aspirations for National Liberation" and the Korean paintings "Spring in Kalun", "General Kim Il-song, the brilliant commander on Mt. Paektu" and "the Great Leader Comrade Kim Il-song Indicating a Bright Road for Building a New Country After Liberation" which successfully represent the glorious and brilliant revolutionary history, outstanding leadership ability and noble communist virtues of the great leader President Kim Il-song.

Also on show are works showing the facts that President Kim Il-song devoted his all for the people with popular traits and made undying contributions to the accomplishment of the cause of national reunification and the cause of global independence.

Seen there are also the poster "The Great Leader Comrade Kim Il-song Is Always With Us" which excellently depicts tender-hearted President Kim Il-song and the Korean painting "Singlehearted Unity" and the poster "Advance for the Accomplishment of the Revolutionary Cause of Chuche Under the Leadership of the Party Centre" which show the unshakable revolutionary faith and will of the Korean people to uphold the dear leader Comrade Kim Chong-il, true to the behests of the fatherly leader President Kim Il-song.

Vice-premier of the Administration Council and minister of Culture and Art Chang Chol made the opening address.

At the end of the opening ceremony the participants saw the art works on display.

Pyongyang Decides Not To Host East Asian Games

OW2408133294 Tokyo KYODO in English 1313 GMT 24 Aug 94

[Text] Tokyo, Aug. 24 KYODO—North Korea has given up hosting the Second East Asian Games set for Pyongyang in September 1995 due to "instability on the Korean peninsula," sports sources said Wednesday [24 August].

North Korea has informed the national Olympic committees concerned of its decision, the sources said.

The scheduled contest had attracted attention as the first international multisports meet to be held in North Korea.

North Korea has already given up staging the third winter Asian Games slated next year and will sit out this October's Hiroshima Asian Games.

The country's withdrawal from the East Asian games will further deepen North Korea's isolation in the sports world, the sources said.

The first East Asian games, designed to strengthen solidarity among countries in East Asia, were staged in Shanghai in May 1993.

North Korea took part in the first games along with South Korea, China, Taiwan, Japan and four other nations and territories.

North Korea was planning to host 14-plus sports competitions during the 12-day Pyongyang games slated for Sept. 20-Oct. 1.

Pak Myong-chol, president of the Olympic committee of North Korea, has been appointed as president of the East Asian Games Association.

Economic Achievements in South Hamgyong Province

SK2508014794 Pyongyang KCNA in English 1558 GMT 24 Aug 94

["The Great Leader President Kim Il-song Is Always With the Korean People—Changes in South Hamgyong Province Under Great Leadership"—KCNA headline]

[Text] Pyongyang, August 24 (KCNA)—Working people in South Hamgyong Province have launched into a powerful drive for increased production, true to the intention of the great leader President Kim Il-song in his lifetime.

According to data available, the gross industrial output value jumped 8.3 percent in recent ten days above the same period last year.

The province, situated in the northeastern part of Korea, has rapidly developed the economy under the wise guidance of the great leader.

The president put his heart and soul into the development of the economy of the province which had been very backward owing to the colonial predatory policy of the Japanese imperialists before the liberation. He visited the province twice every year on an average from April 1946, the year after liberation, to the recent days and gave on-the-spot guidance to many factories, enterprises and cooperative farms.

He called at the Hamhung and Tanchon areas on over 70 occasions to build them into centres of the chemical industry and machine-building industry and a non-ferrous metal ore producer.

In the province there are the Yongsong Associated Machine Bureau, the Hungnam fertilizer complex, the Komdok mining complex, the February 8 vinalon complex and other large-scale industrial enterprises of nationwide significance and hundreds of local industrial factories. Many kinds of industrial goods are turned out in the province.

The output in 1993 was 68 times in machinary, 18 times in chemical fertilizers, 12 times in non-ferrous metal ores, 1,860 times in textiles and 32 times in gross industrial output value per capita as against 1949.

A progress has also been made in fisheries. Dozens of modern fishery bases are situated on the east coast such as Sinpo and Hongwon and the fisheries output last year was 30 percent up on the previous year.

With the realisation of irrigation, electrification and mechanisation and extensive application of chemicals in agriculture, the grain output has grown each year.

Fruit growing has made a remarkable progress.

The great leader convened the Pukchong enlarged meeting of the presidium of the Central Committee of the Workers' Party of Korea in Yongjon-ri, Pukchong County of the province in April 1961 and opened a broad avenue for the development of fruit growing. After the meeting, the province upturned hillocks and sloping lands and created orchards accounting for 14 percent of the arable land. The fruit output last year was 2,800 tons more than the previous year.

The province has 37 universities including Chongsong and Kumya Universities and 60 colleges and 1,300 senior middle schools.

Health care has also developed. The province has 600 hospitals and the number of the doctors has increased more than 1,000 times as against 1946.

Hamhung, Sinpo and Tanchon cities, Yonggwang County, Yongjon-ri and other cities and villages have turned into a people's paradise.

Reunification Formula Based on Confederal System

SK2408140394 Pyongyang Korean Central Broadcasting Network in Korean 0250 GMT 24 Aug 94

[Unattributed talk: "Confederal System Is the Most Just Method for Reunification"]

[Text] The great leader Comrade Kim Il-song taught: The formula for fatherland reunification based on a confederal system with one nation, one country, two systems, and two governments that we have proposed is a just and practical method for reunification, which makes it possible to realize national reunification fairly in an independent and peaceful manner, and at the earliest possible, without either side preying upon or falling prey to the other side [nuga nugurul mokkona mokiuji anko], under the condition that the North and the South of Korea have different ideologies and systems.

The formula for fatherland reunification based on a confederal system with one country, two systems, and two governments declared by the respected and beloved leader is aimed at reunifying the fatherland by building a nation-state with the two different systems and governments in the North and the South of our country as they are, being recognized by each other side. This is the most reasonable, fairest, and the most just method for reunification of the fatherland under the condition of our country's realities.

The reality of the North and the South of our country proposes the establishment of a nation-state with two systems and two governments as the most reasonable, fairest, and the most just method for reunification of the fatherland. This is because, although our country has been divided for almost half a century due to the U.S. imperialists' occupation of South Korea, the North and the South are one nation with unchanged common national features and are still of national homogeneity.

If there is something different between the North and the South, it is the difference between both sides' systems, which have existed almost half a century. However, it does not greatly matter, in comparison with their common national features and national homogeneity that have been formed and consolidated throughout the 5,000-year history. The difference between the two systems can never be a reason for our nation to live apart, nor can it be an obstacle that the North and the South are not able to overcome in the course of reunification.

Under the condition in which the two different systems and two governments of the North and the South exist in full force and in which neither side would concede its own system or government, it is unpredictable when reunification based on one system will be realized. Moreover, if either side tries to force the other to follow its system, it will only bring confrontation, conflict, and further, a national disaster from which the nation could never recover. The fatherland's reunification is more precious than anything else, but our people cannot and must not choose this method.

This is why our country must be reunified based on a confederal system with one nation, one state, two systems, and two governments. This is the most reasonable method for the fatherland's reunification in conformity with our country's specific realities.

The North and the South are not different nations, but one nation. One nation can build a nation-state, where people with different ideas and ideologies can live together and different systems and governments can exist. If the North and the South abandon their national positions of insisting upon their own system and government, it is quite possible to realize [olmadunji sirhyonhal su issumnida] a confederal system based on one nation, one state, two systems, and two governments.

The dear leader Comrade Kim Chong-il is leading [yongdohago kyesimnida] our people's cause of the fatherland's reunification at the front, upholding the lofty intent of the great leader who devoted his whole life to the aim of presenting a reunified fatherland to our people.

The dear leader Comrade Kim Chong-il is leading [ikkuro chugo kyesimnida] wisely our people's struggle to realize many reunification policies, including the formula for fatherland reunification based on a confederal system, proposed by the great leader.

The dear comrade leader awakens people not to forget the divided fatherland and the southern half overrun by outside forces, whenever he discusses party and state activities or visits plants and rural areas, and he is making efforts to achieve the historic cause of the fatherland's reunification, without sleep or rest.

We will uphold the dear leader Comrade Kim Chong-il's leadership and will make every effort to reunify the country based on a confederal system with one nation, one state, two systems, and two governments, in accordance with the three principles of independence, peaceful reunification, and great national unity proposed by the great leader Comrade Kim Il-song.

South Korea

President Kim Justifies Ulchi Military Exercise

SK2508103094 Seoul YONHAP in English 1012 GMT 25 Aug 94

[Text] Seoul, Aug. 25 (YONHAP)—President Kim Yong-sam, saying North Korea would not abandon its scheme to communize the South as long as it retains its existing system, stressed on Thursday that the people should know there could be none but the government they can turn to in a critical situation.

During his inspection of the situation room of the Ulchi military exercise, the president said North Korea still levels all sorts of unutterable slanders at the South.

"What is most important is to know about the enemy," the president was quoted as saying by his spokesman Chu Ton-sik.

Saying that North Korea is in a state of uncertainty after the death of Kim Il-song, the president said it is timely for the military to stage the Ulchi exercise at this time when North Korea is beset with many problems like Kim Chong-il's health problem.

"The exercise is highly significant in that it contributes to building up the government's crisis management ability," Kim said.

He said no person can predict when and in which manner national unification would come. "We therefore should be fully prepared for unification," the president said.

North 'Sent Letters' to U.S. Firms on Investing

SK2408055294 Seoul THE KOREA HERALD in English 24 Aug 94 p 8

[Text] North Korea has sent letters to big American corporations, including IBM, requesting investment in the Najin- Sonbong free trade zone, it was confirmed yesterday.

According to industry sources, the Pyongyang regime sent the letters to IBM, Coca-Cola, AT&T and American Express and other well- known American firms in late June.

Officials at IBM Korea, the Korean subsidiary of the American computer giant, confirmed that it had received the letter through its parent company in the United States.

According to the officials, the letter was sent by Yim Tae-tok, president of the (North) Korea Economic Development Corp. and vice chairman of the Committee for External Cooperation, to IBM Chairman Lou Gerstner.

In the letter, Yim was quoted as saying that North Korea intends to develop the Najin-Sonbong free trade zone, located in the estuary of the Tumen River, into a high-tech hub.

Yim also said that several firms from Japan and other Western countries have already begun investment in the free trade zone.

Stressing that North Korea needs foreign, especially American, investments, Yim added: "I know that U.S. businesses are not allowed to invest in North Korea because of the embargo imposed by the U.S. government on Pyongyang. But we hope IBM would consider investing in the free trade zone if things improve in the future."

IBM Chairman Gerstner delivered the letter to O Chang-kyu, president of IBM Korea, via IBM Japan June 30, calling for the Korean subsidiary to scrutinize the Pyongyang proposal, according to IBM Korea spokeswoman Cho Kyong-hui.

Cho added that as far as she knows, IBM Korea has at the moment no plans to invest in North Korea.

In the letter, Yim introduced his cooperation as being in charge of the free trade zone development and Chongjin port development.

Seoul To Insist on North 'Nuclear Transparency'

SK2508044094 Seoul YONHAP in English 0434 GMT 25 Aug 94

[Text] Seoul, Aug. 25 (YONHAP)—The government held a meeting on unification and security policy coordination Thursday to reaffirm its current position that North Korea's nuclear transparency should first be secured before any further progress can be made.

The meeting emphasized that until practical measures, including special inspections of North Korean nuclear sites, are taken to secure Pyongyang's past, present and future nuclear transparency, South Korea cannot support the North's switch from heavy-water reactors to light-water models. Moreover, both South Korea and the United States cannot improve their relations with North Korea until that time, a government spokesman said.

Kim Kyong-ung, spokesman for the National Unification Board, said the government has consistently maintained that securing Pyongyang's nuclear transparency is a prerequisite to improving inter-Korean and North Korean-U.S. relations.

"It is the position of the International Atomic Energy Agency (IAEA) as well as South Korea that, to secure the transparency, some practical measures should be taken including special inspections of North Korea's nuclear facilities," Kim said.

He added that the presidents of South Korea and the United States have already agreed that international support for North Korea's transformation of its heavy-water reactors to light-water ones will be possible only after North Korea's nuclear transparency is secured.

"The resumption of meaningful inter-Korean dialogue is also a prerequisite to the resolution of pending issues including the reactor matter," he said.

Kim Chong-il Plan To Visit Beijing 'Uncertain'

SK2508115394 Seoul YONHAP in English 1146 GMT 25 Aug 94

[Text] Beijing, Aug. 25 (YONHAP)—China and North Korea have in principle agreed that Kim Chong-il would visit Beijing upon the completion of his succession to power, but the planned visit itself has become uncertain due to some differences, Western sources here in Beijing said on Thursday.

The differences were about whether or not Kim Chong-il would meet paramount Chinese leader Deng Xiaoping during his visit to China.

The sources versed with the situations of both countries said Kim Chong-il strongly hopes to meet Deng but China is reluctant to allow it on the ground that Deng has for long ceased to meet foreign visitors because of his old age.

Another factor that contributes to the uncertainty of his visit to China is a delay in Kim Chong-il's rise to full power.

The sources said North Korea insists on a meeting between Kim Chong-il and Deng Xiaoping in the hope it would calm down Kim's political foes and serve to solidify his power base in North Korea.

Chinese Premier Li Peng extended invitation to Kim Chong-il to visit Beijing during his condolence call at the North Korean Embassy in Beijing in the wake of Kim Il-song's death last month, and Kim Chong-il accepted the invitation, a source said.

Speculation on Anti-Kim Chong-il Fliers Viewed

SK2508064794 Seoul YONHAP in English 0556 GMT 25 Aug 94

[Text] Seoul, Aug. 25 (YONHAP)—A variety of speculation is in the air about the distribution of "down with Kim Chong-il" leaflets in Pyongyang, which took place amid the long delay in Kim Chong-il's formal ascension to power following his father's death nearly two months ago.

What is known so far is merely that anti-Kim Chong-il fliers were scattered in a diplomatic district of Pyongyang sometime between last Friday night and early Saturday morning. Who distributed the leaflets and for what purpose remain hidden in a veil of mystery.

Government officials are only willing to speculate that those who scattered the leaflets must be from the privileged class, and that it was probably the work of a few people or an individual rather than an organized movement.

This analysis is based on the fact that the fliers were discovered in an area housing foreign missions and residences, which is virtually off-limits to ordinary citizens as several guards are posted there under the pretext of protecting foreign diplomats.

Who could have distributed the leaflets then? The perpetrators might have been privileged individuals having access to the diplomatic district or people belonging to agencies looking after various facilities in the compound.

The existence of forces opposed to Kim Chong-il has been confirmed by a North Korean broadcast claiming that "Kim Chong-il has adhered to the legitimacy of the party through struggles," although Kim Chong-il, unlike his father, did not engage in military action. North Korean defectors have also testified to the existence of such forces.

According to North Korea experts here, the first group belonging to the anti-Kim Chong-il forces is the "hostile class" consisting of former landowners, landlords, capitalists, members of families that went to South Korea, and family members of those involved in anti- party and "anti-revolutionary" activities.

But these people have already been dispersed across the country by the authorities and placed under strict surveillance. Hence they can hardly launch moves opposing the North Korean leadership, according to the experts.

The second group is made up of intellectuals—mainly children of North Korean leaders who have studied abroad and had the opportunity to come into contact with foreign countries and foreigners. There have been a number of incidents showing that such intellectuals, disillusioned about the dynastic power succession between the senior and junior Kims, harbor resentment against the North Korean regime.

Several North Korean defectors testified that college students conduct secret anti-regime discussion meetings in groups of 10 to 15 persons, as well as scatter anti-government leaflets or propaganda.

One prevailing theory has it that the incident this time can hardly be regarded as a move toward an organized "rebellion," given that it took place late at night and that the leaflets were scattered in a random fashion.

Some experts say this is not related to a power struggle in Pyongyang, citing the fact that distributing fliers is generally a means of struggle resorted to by "powerless" elements.

One government official, dismissing the incident's possible connection with a power struggle, said, "it appears that a force that cannot mount a frontal confrontation with Kim Chong-il intended to make its dissatisfaction with the system known to the outside world."

Some took note of the report that the leaflets contained a passage asserting, "no hereditary succession of power can be permitted in a socialist country." Such criticism of the power transition between the two Kims, they point out, may have come from an individual or group who learned orthodox Marxism-Leninism in the former Soviet Union or Eastern Europe.

Thus viewed, it is quite likely that the leaflets in question were distributed by a group of intellectuals who studied abroad and experienced outside influences. A small group of people opposed to the North Korean system appears to be responsible for the leaflet incident.

DPRK Embassy in Thailand Denies Fliers Rumors

SK2408235094 Seoul KBS-1 Radio Network in Korean 2205 GMT 24 Aug 94

[YONHAP from Bangkok]

[Text] Amid rumors that fliers proclaiming down with Kim Chong-il were scattered in the diplomatic compound in Pyongyang, the North Korean Embassy in Thailand has revealed that it knows nothing about the rumor and that the rumor is totally groundless.

An official of the North Korean Embassy said that he was very surprised to observe the foreign report from Seoul that anti-Kim Chong-il fliers were distributed in Pyongyang and added that he regards this report as unfounded. He also revealed that he has never heard of the rumor that Kim Pyong-il has defected to Austria. h1

Embassy Official: Kim Pyong-il Working 'Normally'

SK2408232794 Seoul KBS-1 Radio Network in Korean 2200 GMT 24 Aug 94

[Cha Man-sun reports from Vienna]

[Text] A South Korean paper's report that Kim Chong-il's younger brother Kim Pyong-il, North Korean ambassador to Finland, defected to Austria was confirmed as being untrue.

Kim Kyong-hwan, counselor at the ROK Embassy in Finland, said today that Kim Pyong-il visited the Finnish Foreign Ministry on 23 August and met with the Asia desk officer. He then added that Kim Pyong-il is currently performing his work normally.

He also confirmed that Kim Pyong-il on 17 August attended the reception held at the Indonesian Embassy.

Government Studies Policy on Compatriot Defectors

SK2508072394 Seoul HANGUK ILBO in Korean 25 Aug 94 p 1

[Report by Yi Song-chol]

[Text] On 24 August, the government held a meeting of the "Committee To Review Policies on Overseas Compatriots"—which consists of relevant officials from the National Unification Board, Foreign Ministry, Finance Ministry, Ministry of Justice, Education Ministry, Construction Ministry, Patriots and Veterans Affairs Agency, and Agency for National Security Planning—to discuss the settlement at in South Korea of compatriots with North Korean nationality who are arrive in the South through various routes after escaping from the DPRK. The government has begun to work out measures to cope with the situation.

At the meeting, the government decided to work out humanitarian measures to promote national reconciliation and to examine the real situation of compatriots with North Korean nationality who are illegally residing in South Korea, including their exact number. Based on the result of its review and investigation, the government will amend relevant laws and regulations, including the "Law on the Protection of Defected Compatriots," and will formulate anew other relevant laws.

The meeting worked out a policy aimed at gradually widening the door for Koreans residing in the PRC who want to come to South Korea for permanent settlement, based on a humanitarian point of view and taking into consideration internal and external conditions. The committee will thus formulate concrete measures via discussions with relevant government offices.

A relevant government official stated: "It is a basic government policy to accept compatriots with North Korean nationality who are illegally staying in South Korea as well as those who escaped from the DPRK. However, this is related to the government's North Korean policy and may cause various unexpected problems. Therefore, a careful review is necessary."

The official revealed that "until a new standard is formulated to handle the issue, the government will decide on granting permission to each defector on a case by case basis."

According to the new policy under review, compatriots who are living in the PRC with North Korean nationality will be granted a different legal position from those who directly defect from the North to South Korea, but will not be given resettlement funds and other assistance prescribed in the law on protecting defected compatriots.

With a view to preventing various social problems resulting from compatriots who are illegally staying in South Korea, the government will accommodate them in a protection facility-type camp to screen their will for permanent settlement and their relatives' background. The government will then send back those who are considered disqualified; for those who are qualified, the government will conduct vocational training to help their settlement. Meanwhile, the government decided to permit the defection of Pak Mun-tok (54), who lived in the PRC with North Korean nationality and came to South Korea by disguising himself as a North Korean logger, based on a humanitarian standpoint.

KOC: North Backs Out of East Asian Games Bid

SK2508065894 Seoul YONHAP in English 0610 GMT 25 Aug 94

[Text] Seoul, Aug. 25 (YONHAP)—The Korean Olympic Committee (KOC) confirmed Thursday that North Korea has backed out as host of the second East Asian Games, originally scheduled for Pyongyang in September 1995.

The KOC's deputy secretary in charge of international business, Kim Song-kyu, said he had confirmed North Korea's abandonment of the games through a long-distance call to the Chinese Olympic Committee (COC), which received an official letter stating that Pyongyang was giving up the games due to "unrest in the situation on the Korean peninsula."

Kim said the official letter from the North Korean Olympic Committee will reach the KOC two or three days later because of the special circumstances between South and North Korea.

With the North's abandonment of the games, the KOC will discuss follow-up measures with related countries including China and Japan, he said.

A detailed discussion will take place in Hiroshima, Japan, during the Asian Games in October, when representatives of eight countries planning to attend the East Asian Games are scheduled to meet.

PRC Urges Cooperation Between Envoys to Koreas

SK2508012794 Seoul YONHAP in English 0104 GMT 25 Aug 94

[Text] Seoul, Aug. 25 (YONHAP)—China has been promoting cooperation between its ambassadors to Seoul and Pyongyang to cope effectively with new developments on the Korean peninsula since North Korean President Kim Il-song's death in July.

A diplomatic source close to China said Thursday the Chinese Embassy in Seoul had recently asked Beijing to enhance cooperation with its sister embassy in Pyongyang, noting that when Kim Il-song died it was unable to take appropriate steps because the embassy in Pyongyang gave the information to Beijing, and not to the Seoul Embassy.

Accordingly, Beijing has instructed its embassies in Seoul and Pyongyang to promote cooperation, especially exchanges of information on developments in North Korea's power transfer process and North Korea-U.S. relations, he added.

In addition, Beijing has taken steps to arrange for the embassies in Seoul and Pyongyang to exchange personnel, with the two diplomats who returned to Beijing after completion of their Seoul tour being posted to Pyongyang in mid-August.

Young Ruling Party Lawmakers Depart for PRC

SK2508040194 Seoul YONHAP in English 0240 GMT 25 Aug 94

[Text] Seoul, Aug. 25 (YONHAP)—A group of 17 young members of the ruling Democratic Liberal Party [DLP] left for China Thursday under the DLP's program of party-to-party exchanges with the Chinese Communist Party.

The members of the "Democratic Liberal Youth Service Corps," headed by Rep. Yi Chae-myong, will confer with youthful leaders of the Chinese Communist Party to promote bilateral friendship until Sept. 4, the DLP said.

Chinese With Forged Malaysian Passports Caught

SK2508084994 Seoul YONHAP in English 0842 GMT 25 Aug 94

[Text] Seoul, Aug. 25 (YONHAP)—A group of Chinese who tried to enter the country with forged Malaysian passports were turned away by the Justice Ministry Thursday after being caught by the immigration office at Seoul's Kimpo International Airport.

Twenty-eight Chinese, including 10 ethnic Koreans residing in China, were detected by the office while entering the country Wednesday afternoon aboard Cathay Pacific Flight 410 with false Malaysian passports and intentions of finding illegal employment in Korea.

The office said it became suspicious as both seals on their passport photographs and immigration stamps had been forged. In addition, it could not find anything related to Malaysia in their possession and they were unable to speak Malay, according to the office.

It is the first time that Chinese have attempted to enter the country with false passports in a group.

They told the office they had paid 2,500 U.S. dollars per person for the false passports to a man in his mid-30s at Kai Tak airport in Hong Kong.

Under current law, Chinese nationals need visas to enter Korea, while Malaysians are exempted from the requirement.

BOK Reports 'Solid Exports' Activate Economy

SK2408094194 Seoul YONHAP in English 0903 GMT 24 Aug 94

[Text] Seoul, Aug. 24 (YONHAP)—Solid exports and facility investment have activated the Korean economy, with the gross national product (GNP) growing 8.1 percent in the April-June period, the Bank of Korea [BOK] said Wednesday.

The figure brought the GNP growth rate for the first six months to 8.5 percent and the central bank forecast this year's economic growth would exceed 8 percent.

However, there are fears of possible overconsumption and price instability due to such high economic growth and increasing consumption in the private sector.

Although the GNP growth rate of 8.1 percent in the second quarter was lower than the 8.8 percent recorded in January-March, it was higher than the 4.8-percent figure of the year before.

Meanwhile, the 8.5-percent growth rate during the first half is the highest since 10.0 percent was posted in the January-June period in 1991.

During April-June, exports gained 17.7 percent over a year earlier, supported by economic recovery in the developed countries and a strong Japanese yen.

Facility investment soared 15.4 percent, though it was lower than the previous quarter's 20.2-percent surge, according to BOK figures.

Putting a damper on the optimism are signs of overconsumption and rising prices. Private-sector consumption in the cited period hit 7.6 percent, the highest since 8.5 percent in January-March 1992. It was fueled by active buying of such consumer durables as automobiles, home electric appliances and personal computers and rising expenditure on overseas travel, recreation and services, food and beverages, the bank said.

BOK Assistant Governor Kim Si-tam pointed out that the biggest problem facing the nation's economy is how to stabilize prices, considering the prediction that the economic upsurge will continue in the latter half of the year.

He forecast that prices would rise over 6.2 percent this year.

DLP Studies Expansion of Pusan, Inchon, Ulsan

SK2508081894 Seoul YONHAP in English 0803 GMT 25 Aug 94

[Text] Seoul, Aug. 25 (YONHAP)—The ruling Democratic Liberal Party is seeking to enlarge the three port cities of Pusan, Inchon and Ulsan by absorbing neighboring areas before elections are held for local autonomous governments next year.

Rep. Paek Nam-chi, the party's chief policy coordinator, said Thursday it was necessary for the three ports, the nation's export-import windows, to grow more competitive to survive in the era of globalization. He asserted that the cities, which have already reached the saturation point, should be expanded.

The expansion will take the form of absorbing adjacent areas, which will be possible when all the work for the plan is finished before local autonomy comes sometime next year.

Under the plan, the ruling party will discuss the issue with concerned ministries including the Home Affairs Ministry and at a party-government meeting.

Residents Told of Armed Forces Day Preparations

SK2508081294 Seoul YONHAP in English 0800 GMT 25 Aug 94

[Text] Seoul, Aug. 25 (YONHAP)—The Defense Ministry on Thursday advised residents of Seoul and nearby Kyonggi Province not to be surprised at the sight of convoys of Army tanks and other military vehicles moving on major highways in and around Seoul and Kyonggi Province during the predawn hours of Friday and Saturday.

The military vehicles will be moving from midnight through 4 A.M. in preparation for the Armed Forces Day ceremony on Oct. 1, the ministry said.

Convoys of tanks will leave Pugok on their way to Segok-Tong via Euiwang, Kwachon and Yomgok-Tong on both days while a separate team of tanks is slated to use the Uijongbu-Migum-Kuri-Segok-Tong route only on Saturday.

Groups of other military vehicles will leave their respective home bases in Kupabal, Sihung and Tokso to converge on the same destination on both days.

Ministry To Stage Military Parade

SK2508021794 Seoul YONHAP in English 0153 GMT 25 Aug 94

[Text] Seoul, Aug. 25 (YONHAP)—The Armed Forces Day celebration on Oct. 1 will be larger in scale than last year's ceremony with the revival of a military parade in downtown Seoul for the first time in four years, the defense ministry said Thursday.

The day's main event, the ministry announced, will be held at the Seoul airport in Songnam city near the capital, followed by the restored military parade along some of Seoul's main streets.

The ministry explained the parade is being revived as a symbol of pan-national harmony and to demonstrate the "majesty" of the armed forces at home and abroad.

However, the parade will be restricted to the 1.2-kilometer boulevard linking Namdaemun to Kwanghwamun, and the 4-kilometer avenue between Namdaemun and Tongdaemun to minimize traffic inconvenience for citizens. The number of troops participating in the parade will also be scaled down to the size of an infantry division, or 66 percent of the 1990 level.

Although the ceremony will not be overwhelming in scale, the ministry plans to demonstrate the superiority of its up-to-date equipment during the street parade.

The ministry also plans to hold the ceremony at the Seoul airport to achieve a cultural event combining the military and civilians, with a demonstration of the special warfare forces' high-altitude diving and mid-air escape and performances of Korea's traditional dance, samulnori, and the Seoul municipal dance troupe.

Some 5.4 billion won is expected to be spent for the military ceremony, compared to 1.7 billion won last year and 3.9 billion won in 1990, the ministry said.

Police Fail To Catch NSL-Violating Professors

SK2408062294 Seoul YONHAP in English 0241 GMT 24 Aug 94

[Text] Changwon, South Kyongsang Province, Aug. 24 (YONHAP)—Law enforcement authorities Wednesday attempted in vain to arrest two of the eight Kyongsang National University professors who co- authored the controversial textbook "understanding of Korean society."

The prosecution suspects that the professors violated the National Security Law [NSL] by criticizing South Korean society based on class ideology, thereby benefitting North Korea.

The two professors for whom arrest warrants were issued are Chang Sang-hwan, 44, from the economics department and Chong Chin-sang, 38, from the sociology department. Over 300 policemen searched the university's Social Science College Library, where the professors were staging a protest sit-in, their offices and homes for about half an hour from 3:40 AM Wednesday, but failed to locate the two professors, the Changwon District Prosecutor's Office disclosed.

The search took place after the two professors had failed to respond to three summonses.

No clashes were reported at dawn Wednesday between policemen and some 100 students who were guarding the professors at their sit-in.

Sogang University President Clarifies Remarks

SK2508121294 Seoul YONHAP in English 1142 GMT 25 Aug 94

[Text] Seoul, Aug. 25 (YONHAP)—Pak Hong, president of Sogang University, on Thursday afternoon clarified his controversial recent series of remarks on chusapa (chuche thought faction).

Attending at a forum organized by the Yoi-do Club, a fraternity of broadcasters, Pak said about 15,000 chusapa people have come into being since 1987 mainly among one-time student council leaders of some 100 colleges and universities across the country.

"I heard that of the total, about 750 had infiltrated into the political and educational circles," he said.

But, he somewhat backed down from the earlier contention by saying, "even among chusapa people, there are many good people who washed hands of it later."

When it was pointed out by a panelist that his remarks had set off another round of government crackdowns on leftist-minded people, Pak said North Korea has not given up its scheme to communize the whole Korean peninsula.

"The problem here is the lack of the firm sense of national security in the South," he said.

At a panelist's statement that Pak's credibility might have been harmed because of the revelation of what he learned through Catholic confession and because of his oft reversion of his earlier remarks, Pak said it is the common practice not to make public details of confession.

He said the reversion of his earlier remarks was the result of distorted reports by the press.

When a panelist said his remarks that "behind chusapa is Sanomaeng [South Korean Socialist Workers' League] and Kim Chong- il is behind Sanomaeng" represents the lack of his knowledge of the lineage of leftist organizations, Pak said chusapa and Sanomaeng are essentially same in that they both do not recognize the South Korean Government and liberal democracy.

Hyundai Heavy Industries Labor Dispute Resolved

SK2508081994 Seoul YONHAP in English 0805 GMT 25 Aug 94

[Text] Ulsan, South Kyongsang Province, Aug. 25 (YONHAP)—The prolonged labor dispute at Hyundai Heavy Industries Co. was resolved completely Thursday, 63 days after it started, when the union voted to approve a labor-management compromise.

In voting that started at 10 a.m. Thursday and was participated in by 14,654 union members or 67.18 percent of the total membership of 21,812, 8,125 unionists or 55.44 percent voted in favor of the compromise reached between labor and management, while 6,478 members or 44.2 percent cast "no" votes.

The nation's largest shipyard has thus put a complete end to what is regarded as a watershed labor-management confrontation in which the "no-work, no-pay" principle was accepted.

Seoul To Give 'Full Support' to World Cup Bid

SK2508022894 Seoul YONHAP in English 0206 GMT 25 Aug 94

[Text] Seoul, Aug. 25 (YONHAP)—The government has decided to give its full support for South Korea's bid to host the 2002 World Cup soccer finals, Prime Minister Yi Yong-tok said Thursday.

Yi instructed Culture and Sports Minister Yi Min-sop to prepare a system under which all government ministries support the activities of private organizations working to win the right to stage the 2002 World Cup.

"The Bidding Committee for the 2002 World Cup in Korea" and the Korean Football Association (KFA) have been working to host the soccer finals since late last year, when South Korea succeeded in advancing to the World Cup for the third consecutive time.

"Since the World Cup soccer finals are the world's biggest sporting event, along with the Olympics, and the people are greatly interested in it, Korea's hosting of the World Cup will provide momentum for Korea to jump forward in its development," Yi said.

Prosecution Continues Questioning No's Daughter

SK2408111994 Seoul YONHAP in English 1041 GMT 24 Aug 94

[Text] Seoul, Aug. 24 (YONHAP)—The Seoul prosecution on Wednesday summoned and questioned Choe Tae-won, the son of Sunkyong Group Chairman Choe Chong-hyon, and his wife on suspicion of smuggling out foreign exchanges.

Choe's wife is No So-yong, the eldest daughter of former President No Tae-u.

A prosecution source said the questioning was centered on the source of the 200,000 dollars said to have been unlawfully deposited by the couple at 11 separate banks in the United States.

The source said Choe told the prosecution that the money at issue was not taken out of Korea but was either given to him by his relatives in the United States as living expenses or paid to him as salaries by one of Sunkyong's American branch firms where he said he had worked.

He is also said to have stated that the deposits at multiple banks was not designed to cover up the source of the money or avoid tax office's tracing.

Such split deposits, Choe claimed, are common practices among not only business establishments but individual people as well in the United States, according to the source.

The prosecution will decide whether to take a legal action against them within the month based on the results of the questioning as well as on the review of the investigation records received from the U.S. federal prosecution.

The Choe couple were prosecuted in the United States on charges of depositing the money in multiple banks with the intent of covering up its source or of dodging tax authorities' tracing of the money.

Capital Flight Charge Denied

SK2508070094 Seoul YONHAP in English 0629 GMT 25 Aug 94

[Text] Seoul, Aug. 25 (YONHAP)—No So-yong, 33, daughter of former President No Tae-u, and her husband Choe Tae-won, 34, son of Sunkyong Group Chairman Choe Chong-hyon, told the prosecution Wednesday [24 August] that their deposits at 11 California banks totaling about 200,000 U.S. dollars came from congratulatory money they received for their wedding and their earnings in California, denying the allegation that they illegally took foreign exchange out of the country.

Choe stated that the money was given to him in greenbacks by 11 of his relatives in California on his wedding in November 1989, an official of the Seoul District Public Prosecutor's Office said Thursday.

He deposited the money at banks for fear of burglary, and at the time one of the banks advised him to split the money into small amounts of less than 10,000 dollars and divide the deposits among many banks to avoid the registration requirement on a deposit of 10,000 dollars or more in cash at a time, he was quoted as saying.

He did not register his split deposits at the 11 banks because he thought depositing a sum of less than 10,000 dollar in cash or checks at a bank would cause no problems, Choe was further quoted as stating.

Choe submitted written statements from his relatives concerning the cash wedding gifts to the prosecution.

The prosecution will examine these statements and the U.S. federal prosecutor's investigation records on the couple's bank deposits in California before deciding whether to indict them on charges of violating the Foreign Exchange Control Law.

The prosecution summoned the couple Wednesday for questioning on whether they illegally took foreign exchange funds out of the country.

Brunei, Malaysia & Singapore

Brunei

Sultan Bolkiah Warns of Threat Against Islam

BK2308134994 Singapore THE STRAITS TIMES in English 23 Aug 94 p 19

[By Ignatius Stephen in Bandar Sri Begawan]

[Text] Sultan Hassanal Bolkiah of Brunei, warning of threats to Islam, has urged youths to inform the religious authorities if they come to know of any deviationist activity in the country.

He did not mention the al-Arqam movement by name but said that the proliferation of any undesirable activity could threaten the faith of Muslims in Brunei.

He was speaking at the weekend during Prophet Muhammad's birthday celebrations.

Brunei banned the al-Arqam movement as far back as 1991, saying that it posed a threat to religious harmony in the country. The group was accused of deviating from the Ahli Sunnah Wal Jemmah Islamic faith adopted by Brunei and of luring schoolgirls to clandestine midnight meetings.

The Sultan also mentioned the case of controversial Bangladeshi writer Taslima Nasrin, stressing that statements against Islamic teachings could not be ignored. The writer provoked Muslim fury after she was quoted by an Indian newspaper as saying that the Koran should be "revised thoroughly". She issued a statement later denying the remark, but her clarification, saying that "we have to move beyond these ancient texts if we want progress", exacerbated the controversy.

Malaysia

Police Detain 106 Banned al-Arqam Members

BK2408135894 Hong Kong AFP in English 1257 GMT 24 Aug 94

[Text] Kuala Lumpur, Aug 24 (AFP)—Some 106 followers of the banned Islamic movement al-Arqam have been detained by the Malaysian authorities as the group lodged a police report Wednesday against Premier Mahathir Mohamad for alleged defamation.

Malaysian police chief Rahim Noor said the al-Arqam followers were picked up for illegally distributing pamphlets on the movement which was banned by the government earlier this month for allegedly practising deviationist teachings.

Rahim said police would step up their crackdown on the movement because the August 5 ruling by the National Council of Islamic Elders banning al-Arqam had already been gazetted into law by nearly all the Malaysian states.

Rahim said two police stations in southern Johore state had received telephone calls from persons claiming to be al-Arqam followers threatening to attack the stations.

Meanwhile, al-Arqam lodged a report with a police station in Kuala Lumpur asking the authorities to take action against Mahathir for defaming the movement.

Fifteen al-Arqam members accompanied a follower to lodge the report but were interrogated by police for more than two hours, al-Arqam spokesman Rodhi Daud told reporters.

"We were treated as if we were robbers even though we as citizens went to lodge a police report," said Rodhi, adding that more legal suits would be filed against the authorities "to ensure that al-Arqam is not smeared in the eyes of the people."

Mahathir accused the leaders of al-Arqam of practising sex-slavery and sanctioning prostitution. "The focus of these leaders is sex although they appear to be concentrating on Islamic teachings," he said.

In one of his harshest attacks on the movement, the prime minister said it was used by its leaders "to satisfy their lust by making women more or less sex slaves."

Al-Arqam leader Ashaari Muhammad, who has four wives and 36 children, strongly encourages his followers to practice polygamy.

"I have heard that they remain married just for a while... some for only 24 hours. We feel that this is legalised prostitution," Mahathir said.

Islam permits a man to take up to four wives, provided that he is able to treat them all equally, without showing any favouritism, a proviso seen by some Muslim scholars as an effort to discourage the practice.

The 57-year-old Ashaari, who has been living in self-imposed exile mostly in Thailand for the last seven years, told AFP in Bangkok that he would return to Malaysia to wage a legal battle over the ban on his movement.

Cambodia

Continuing Reports on Khmer Rouge-Held Hostages

Radio Claims Government To Attack

BK2408130094 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 24 Aug 94

[Text] Reports from various battlefields have confirmed that:

1. The two-headed government is gathering its troops from Regiment 19 stationed in Choam Khsan, Preah Vihear Province, in Phnom Penh for dispatch to Kampot.

2. The two-headed government has gathered a regiment of its troops from Banteay Meanchey in Phnom Penh and dispatched them to Kampot, too.

3. The two-headed government has gathered two regiments from Stung Treng and Kratie in Phnom Penh and then dispatched them to Kampot.

4. The two-headed government has gathered three regiments of its troops from Prey Veng, Kandal, and Kompong Speu in Phnom Penh and sent them to Kampot.

The two-headed government, communist Vietnam, and allies have set up plans to launch new offensives in the next few days against Phnum Voar to, in their words, pulverize the Khmer Rouge.

'Farce' Over Hostages Viewed

BK2408143394 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 24 Aug 94

[Unattributed commentary: "The Masses in Phnom Penh Are Having a Great Laugh About the Deceitful Farce by the Communist Vietnamese Puppets and the Two-Headed Government Who Orders Sirivut To Clown Around in a Helicopter in Kompong Trach"]

[Text] Lately, the issue of three foreigners has been really putting pressure on the two-headed government. The communist Vietnamese puppets ordered Sirivut to travel by helicopter to Kompong Trach saying he was going there to solve the three foreigners' problem.

Arriving in Kompong Trach, the communist Vietnam's puppets handed over a sack full of dog and cattle bones to Siriviut to take back to Phnom Penh. Local and foreign reporters asked him upon his return to Phnom Penh whether he was able to solve the issue of the three foreigners and Sirivut replied: No; instead I got a sack full of bones from Army commanders and provincial and district leaders. I do not know what kind of bones they are.

Next morning's newspapers in Phnom Penh said that Sirivut, foreign minister of the two-headed government, went to Kompong Trach; he was no longer playing the role of foreign minister, but instead had become a bone gatherer.

The two-headed government says: Look for large bones, like elephant or buffalo bones, because they are large and can be passed off as the bones of Caucasians.

The masses in Phnom Penh had a great laugh about the farce by the communist Vietnamese and the two-headed government with Sirivut as the clown. The people say: Who would believe such a plain farce? How can the problem be solved by staging this farce?

The masses in Phnom Penh say according to the message of the people in Kon Sat Village in Kbal Romeas Commune, Kampot Province, broadcast over the radio of the Provisional Government of National Union and National Salvation, the people who look after the three foreigners are not so low as to demand money as the two-headed government mistakenly has said. The people only ask that Australia, the United States, and France stop providing military aid to the two-headed government to prevent the latter from continuing the war in Cambodia and in order to end the war and restore peace in Cambodia. They only ask this; they did not demand any ransom from anyone.

Therefore, if the problem is to be solved, just do this and the matter will end. It is not difficult. If you say you want peace, you would have done this immediately. If you want to play with fire, however, then you are killing the three foreigners, your own citizens, through your own policies. If this the way you settle problems, this is the way you will act today and this will be the way you act in the future. This is like the war you are fueling; it will burn indiscriminately.

This problem cannot be settled if the two-headed government and the three countries refuse to solve the real problem and continue to stage deceitful farces. On the contrary, this will only bog them down.

Fails To Scare Foreign Investors

BK2508113094 Phnom Penh THE CAMBODIA DAILY in English 24 Aug 94 p 8

[Report by Matthew Lee]

[Text] Despite the government's misgivings, foreign investment in Cambodia does not appear so far to have been adversely affected by the negative international publicity generated by last month's kidnapping of three Westerners by the Khmer Rouge.

In fact, said one industry consultant, business is booming. "We haven't seen any negative effects from the kidnappings, and there is decidedly more activity than there was a year ago," the consultant said.

Anecdotal evidence suggests that one reason may be the passage of the new investment law. "Some people were holding on to their proposals until after the Cambodian Development Council was officially established," said Prewash Wakanker, general manager of the Cambodia Beverage Company.

"That is a possible explanation of why there is an apparent spurt of activity," he said. "But we don't believe that, especially for foreign investors, hostages or kidnappings are an investment problem."

At least one hotelier says he was taken aback when business did not plummet after weeks of negative press coverage.

"I was quite surprised," said Leslie Loch, director of sales and marketing for the Sofitel Cambodian Hotel. "We expected cancellations after the King's statement, but that didn't happen. We have lots of corporate guests now which I think shows that investment potential here is quite promising."

But if the private sector is downplaying the effect of the Khmer Rouge hostage takings, the government is not. "This crisis has been blown out of proportion and it has hurt," said Vichit It, secretary general of the government-run Cambodian Investment Board (CIB).

"I just came back from Malaysia and meeting potential investors there, and they asked me about the situation. They were positively surprised that the country was not back in the hands of the Khmer Rouge," he said.

"They see Khmer Rouge in the headlines and think we are communist. We do our best to project the proper image, but the next day they will read the papers again," he added.

It is unclear how much investment money the government thinks it is losing due to the hostage situation. "It is hard to put figures to it, but it doesn't improve the perception of Cambodia," Vichit It said.

However, the loss of money is not the main concern of his office. "The cost is a social cost," he said. "Delays in investment mean delays in job creation and it means that one to two million people will have to wait longer to get a job."

Whether or not the creation of those jobs are delayed by the hostage situation is a question that may not be answered for some time.

"There is a lag in perception of maybe two months," Vichit It said, explaining that while investment is being hurt now, it will take longer to sort out any lasting effects of the Khmer Rouge kidnappings.

Despite the cries of the CIB, others are less concerned. "We're pretty positive about the whole thing," the consultant said. "People are saying that Cambodia is coming around."

Laos Supports Bill Outlawing Khmer Rouge

BK2408120794 Phnom Penh AKP in English 1006 GMT 24 Aug 94

[Text] Phnom Penh AKP August 24—The Lao People's Democratic Republic has expressed its full support for the Cambodian Government's decision to outlaw the Khmer Rouge.

The comment was seen in a letter dated August 13 signed by Lao Prime Minister Khamtai Siphandon and sent to Cambodian Co-prime Ministers Prince Ranariddh and Hun Sen, who on August 12 sent a letter to their Lao counterpart Siphandon informing the latter of the developing situation in the Kingdom of Cambodia.

In his reply letter, the Lao prime minister said "the government of the Lao People's Democratic Republic, in any images, has no reason to support anyone or groups who were outlawed by the Royal Government of the Kingdom of Cambodia."

He affirmed that the Lao Government would try its best and use its rights not to provide territory or institutions of its sovereignty to anyone or groups for operating against the legal government of the Kingdom of Cambodia.

The National Assembly unanimously approved a bill to outlaw the Khmer Rouge after four-day debate on the bill during its session during the first week of July, 1994.

PGNUNS Cabinet Assesses Enemy Plight

BK2308133394 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 22 Aug 94

["Press communique" on the 22 August cabinet meeting of the Provisional Government of National Union and National Salvation—read by announcer]

[Text] Monday, 22 August 1994:

I. On Monday, 22 August 1994, the cabinet of the Provisional Government of National Union and National Salvation [PGNUNS] held its weekly working secession under the chairmanship of His Excellency Khieu Samphan, prime minister and minister of the national army, with the participation of all its members.

II. The cabinet heard reports presented by each ministry; discussed them thoroughly with a high sense of responsibility, and took realistic measures so that our Cambodian nation and people were informed. This is to promote and advance their national salvation struggle aimed at ending communist Vietnam's war of aggression quickly.

At the suggestion of the Ministry of Rural Areas, Agriculture, and Water Conservancy, the cabinet examined and passed a decision on the complaints received by the ministry from the people of various provinces and districts.

III. Through these reports, the cabinet clearly noted that the national salvation struggle is systematically growing in all fields and aspects, while the communist Vietnamese enemy and two-headed government are inextricably bogged down, finding themselves in a deep impasse, and losing control in every aspect.

Militarily speaking, communist Vietnam, the Western alliance of villains, the puppets of communist Vietnam, and the two-headed government are writhing in agnoy in their attempt to carry on the war. They are hopelessly trying to fan the flames of war. This is because:

1. The two-headed government does not have fighting troops. It has no troops at virtually every battlefield.

2. The few troops still under its command have no fighting spirit and regularly desert their ranks. Some of

them have rebeled against their brutal commanders. They are furious that the fascist and corrupt commanders have robbed them of their pay and have concerned themselves with nothing but waging the war to imperil them and innocent people, while serving the communist Vietnamese and other foreigners' strategy.

3. The two-headed government has failed to conscript soldiers and militiamen. It has failed in the countryside as well as in Phnom Penh.

4. All transportation lines, roads, and railways have been cut into stretches and portions as hundreds and thousands of people have been cutting, dismantling, or blowing up bridges and pipes, laying punji stakes, and digging punji pits, preventing the enemy from using them to conduct their suppression, massacre, plunder, and rape and the two-headed government from forcibly drafting the people.

5. The Cambodian people together with the National Army of Democratic Kampuchea [NADK] are implementing the guerrilla and people's warfare in a more widespread and effective manner.

This military development is plunging the two-headed government into a checkmate position and its doomsday is drawing near.

Politically speaking, the people's opposition to and rejection of the two-headed government have become more acute and widespread. In the countryside, the people oppose all forms of the communist Vietnamese puppets' provincial, district, commune, and especially village-level administration. The people seek every opportunity to disperse and dissolve this administration in order to reestablish the national power to protect their interests.

In Phnom Penh, pupils, students, teachers, professors, low-ranking civil servants, small traders, and the working people in general are producing a permanent tremor like an uncontrolled volcano on the verge of erupting into a mass demonstration to overthrow the two-headed government. Although those in the two-headed government have been using fascist laws to suppress, arrest, and murder, they cannot douse the seething hatred of the people in Phnom Penh. This flame of hatred is soaring high and will smoulder the two-headed government in the very near future.

On economy and finance, all transportation lines have been severed. Insecurity is rampant both in the countryside and in Phnom Penh, and the people everywhere oppose and reject the two-headed government. The two-headed government is experiencing an acute shortages of everything, as its economic and financial situation has become disastrous. It is in a totally desperate situation and lying in wait for the last coin from America, France, Australia, and their associates before exhaling its last breath. It is seriously ill in all fields and aspects. No medicine man can save its life.

On the political atmosphere around Cambodia, it is favorable to our national salvation struggle.

On the geopolitics of the region: Countries and people in the region are better aware of and taking concrete measures against communist Vietnam's expansionist policy both in Cambodia and the region. They are more resolutely opposed to the United States, France, and Australia's policy of interferance and the continuation of communist Vietnam's war in Cambodia.

IV. The cabinet noted that our peasants have virtually lost all their land, fields, orchards, rivers, and lakes—the source of their livelihood—to the four million ethnic Vietnamese who have have arrogantly come in to plunder and grab them. The cabinet has most vigorously condemned communist Vietnam's criminal, extremely criminal policy of emigrating four million of its nationals to wage a demographic war in order to strategically annex all of Cambodia and immediately impoverish and starve our peasants to death.

At the same time, the cabinet severely condemned those in the two-headed government, the out-and-out lackeys of communist Vietnam, for kowtowing to and unconditionally serving communist Vietnam against the Cambodian nation and people. They are held fully responsible before the Cambodian nation, people, and history.

The cabinet has advised the Ministry of Rural Areas, Agriculture, and Water Conservancy to inform our nation and people, especially the peasants who had sent in petitions and complaints about land ownership, so that our people together with local NADK can take measures to protect the land, fields, and orchards and find solutions to their problems.

V. Concerning the two-headed government which has been thrown into an impasse and has lost total control in all fields and aspects, the cabinet has advised each ministry to take measures to encourage provincial, district, commune, and village committees to continue working closely like a single body with our peasants in the rural areas and to fight the guerrilla and people's war to the best of their ability, more effectively and consistently. This is to protect the land, fields, orchards, and villages of the people and prevent the two-headed government from conscripting troops and militia for fighting. As a matter of fact, it is advised that we:

1. Continue to encourage the people to join the NADK in cutting, dismantling, or blowing up bridges and pipes, laying punji stakes, and digging punji pits to prevent the two-headed government from using them to conduct their suppression, massacre, plunder, and rape and conscription of the sons and husbands of the people as troops and militia with which to fight.

2. Continue to encourage the people to use all types of weapons, especially simple ones such as punji stakes, poison-tipped sticks, punji pits, bows, and traps, and to plant them around villages and on roads to prevent the

two-headed government from coming in to conscript troops and militia with which to fight.

3. If they manage to get into some villages, the people should plant punji stakes, especially poison-tipped sticks, arround them from all sides to prevent them from running away. Once they are surrounded, pistols, muzzle-loaded guns, bows, cross-bows, and poison-tipped arrows will be very effective. We can fire at them at close range, from a couple of meters away, to frighten them from ever returning to the villages.

4. Continue to encourage the people to convince their sons and husbands who have already been conscripted by the two-headed government to run away from the battlefield and stop dying for the two-headed government. They should be convinced to desert as they are being transported on the roads, as they reach the training sites, during training, or when they are being sent to the battlefield, or to turn their guns against the cruel commanders before running back home.

All of us should do our best to carry out the abovementioned tasks. If we carry them out regularly and simultaneously, the two-headed government will surely find itself without troops with which to fight, the aggressive war of communist Vietnam will end quickly, and our nation and people will also quickly achieve national reconciliation and peace giving themselves a chance to once again live and work in normalcy and happiness and jointly defend and perpetuate Cambodia. [Dated]22 August 1994
[Signed] Secretariat of the PGNUNS Cabinet

Politician on Trial Date of Coup-Suspect Thais

BK2508102594 Phnom Penh CAMBODIA TIMES in English 24 Aug 94 p 7

[Report by Ouk Vora and James Kanter]

[Text] The nine Thais remaining in custody here on suspicion of involvement in last month's failed coup could wait up to a year before they face trial, a prominent MP [member of parliament] helping with the case suggested yesterday.

"I can't say if the trial will come in one month, one week or one day at this point—in foreign cases like this the trial preparations can sometimes take a year," said Dr. Rasadi Om, chairman of the house committee on foreign affairs, during a break in yesterday's Assembly meeting.

He added that no extraordinary measures would be taken to bring forward a trial date.

"Thai journalists have already been asking me if we can make a special law to speed up the process, but this is only one case of many in Cambodia. We must implement the principle that all laws are passed first by the National Assembly," he explained.

Rasadi Om left it unclear yesterday whether the Thais, held in two city-center hotels since their arrest at Pochentong Airport July 3, would be charged under a new law or existing State of Cambodia and UNTAC [UN Transitional Authority in Cambodia] law.

But he emphasized that the Thai defense relied on Bangkok's selection of a Khmer lawyer.

"One way to get the process started is for the Thais to find a Cambodian lawyer and cooperate through the embassies in order to get the paperwork out of the way," he said.

Meanwhile, Cambodia is sending investigators to Thailand to interview several Thai nationals about their alleged involvement in the July coup, AKP reports Interior Minister Yu Hokkri as telling Reuters Monday.

"I don't know how many, I don't know when, but a team will be sent over there," he was quoted as saying.

Yu Hokkri confirmed the nine Thais still held here would face trial but was cited as saying the court proceedings could not begin until the investigating team had completed its work in Thailand.

U.S. Reportedly Providing Tanks to Phnom Penh

BK2408124594 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 24 Aug 94

[Text] There have been clear reports that the United States has bought 100 T-55 Russian-made tanks for the two-headed government. The United States itself has provided 40 M-113 tanks to the two-headed government.

These reports confirm that the United States and other allies have collaborated with communist Vietnam to continue fueling the war in Cambodia. They do not care about peace in Cambodia and in the region. They do not care about national reconciliation and national union in Cambodia. The military aid in the form of over 100 tanks is worth nearly $300 million. The United States and allies have set up plans to launch offensives in the 17th dry season, specifically starting in November 1994, particularly west of Battambang and Pailin. This also clearly confirms that the United States, France, Australia, and other allies have not changed their policy of fueling the war in Cambodia.

For these above activities, the United States, France, Australia and other allies will be fully responsible for all the consequences resulting from their policies and activities.

Finance Problems Force Downgrade of Power Project

BK2408085094 Phnom Penh THE CAMBODIA DAILY in English 19-21 Aug 94 p 8

[Report by Suzan Mackley]

[Text] The US firm Intercore and the Ministry of Industry have revised a plan to upgrade Phnom Penh's power supply, scrapping a deal signed in April for a 106 MW [megawatt] power plant and downgrading to construct a new 25-30 MW facility said Kuon Kreal, advisor in the energy sector to Minister Po Sothirak. The revised contract calls for completion of the project by March 1995, he said.

The renegotiation of the original Memorandum of Understanding (MOU) provides for a one month extension of the original three-month agreement, which was plagued by complications related to financing the deal, ministry sources said.

But before an August 26 deadline, Intercore must come up with an official proposal as well as the cash to complete the project. Many experts in the industry are speculating about their chances.

The decision to downgrade dramatically alters Ministry of Industry plans to boost Phnom Penh's power infrastructure. Some experts feel Cambodia needs is a "big name" in the energy industry, one that will come to the table with adequate financing and technical experience in the energy sector. Some are in support of allowing outside bidders to submit proposals to become an Independent Power Producer (IPP), who will supply bulk power to Electricite Du Cambodge (EDC), the national power company.

According to Intercore representative Chuon Sam-ol, the original MOU planned for such an IPP which would build, operate, and maintain a 106 MW gas turbine power plant, with equipment supplied by the US firm General Electric (GE) to supply the city of Phnom Penh. The MOU also included the upgrade of distribution power lines, with overall project management by Intercore, and third party financing by Wing-Merrill, an international project development firm.

But problems began, he said, when Wing-Merrill backed down on their financial responsibilities one and a half months into the agreement. "They walked out because the MOU was a three month period of time. The international standard is six months," said Sam-ol.

The second financial partner, Stewart & Stevenson, left after the renegotiation of the terms of the MOU, according to Sam-ol. EDC decided that a 106 MW plant was too large for the distribution system, and a smaller 25-30 MW plant was proposed. It was also proposed that work on the distribution network be handled by the EDC using a $40 million loan proposal from the World Bank.

Three firms have been added to the team, combining varied technical expertise and sources of financing. The new players are Delcom Services, a Malaysian oil and gas supplier, Malaysian Leader Universal Holdings, which produces cables used in power distribution, and ENEL, the Italian electric company, reported to be the third largest in the world. Leader will provide 60 percent the financing, which is now set at $106 million according to a representative of Delcom. The firm will also prepare the contract under legal assistance from Clifford Chance of London.

The first phase will involve a three-year rehabilitation of the distribution system, said Kuon Kreal, and the need for additional capacity will be assessed after its completion. Intercore representatives maintained that its contract with the government will still involve an upgrade to 106 MW over time.

Japanese Firm Reports on Power Plant Installation

BK2408094594 Phnom Penh REAKSMEI KAMPUCHEA in Cambodian 24 Aug 94 p 4

[Summary] According to Yoshihiro Yakeshima, representative of the Obayashi Corporation, the Japanese Government is implementing a two-stage program to provide assistance in the installation of two 5-megawatt generators in Phnom Penh.

In the first stage of the program, which began in December 1993 and is expected to be completed by January 1995, the company will install a 5-megawatt generator at the C-5 power plant in Phsa Toch, which was left unfinished by the former Soviet Union. The Russian-made generator will be removed and replaced by the Japanese plant. This 5-megawatt generator will be operational in Phnom Penh in early 1995.

Work to install another 5-megawatt generator will start in December 1994 and will be completed by January 1996. The Japanese Government has already approved a budget of more than $36 millions for the two-stage program, which also includes assistance to improve the power distribution network in Phnom Penh.

Truong Mali To Be Ambassador to Japan

[Editorial Report] A report carried by the 24 July REAKSMEI KAMPUCHEA quoted a government source "close to the Royal Palace" as saying that palace chef de cabinet Truong Mali will soon be appointed Cambodian ambassador to Japan. The source stated that the appointment has the "complete agreement" of the two prime ministers and the foreign ministry. It is not yet known who will replace Truong Mali at the palace.

Government To End Guaranteed Student Jobs

[Editorial Report] The 20 July REAKSMEI KAMPUCHEA quoted a government source as saying that the government will continue to give positions in the civil service only to students—in Cambodia and those studying abroad—who have contracts with it. After this year, there will be no more contracts.

An official announcement was sent to the Ministry of Education and and the Ministry of Finance and Economy to that effect. According to a 10 May announcement, the government will henceforth hire students only when necessary and applicants must pass an competitive examination for a particular job specialty. The paper noted that the civil service has "a surfeit of people waiting to be let go."

REAKSMEI KAMPUCHEA reported that a government source has suggested that the Ministry of Economy and Finance hold discussions with the IMF, "the finance boss that helps pay civil service salaries," to establish a time frame for the hiring of students with valid contracts. This will prevent student actions which have negative consequences for stability.

Indonesia

PNG To Repatriate Irian Jaya Border Crossers

BK2408130594 Jakarta Radio Republik Indonesia Network in Indonesian 1500 GMT 23 Aug 94

[Text] The PNG [Papua New Guinea] Government has finally agreed on a plan to repatriate all border crossers from Irian Jaya who are currently residing in that country. The decision was reached following talks between PNG and Indonesian officials some time ago. The PNG Government also realizes that border crossers from Irian Jaya have caused growing unemployment in that country.

Speaking in Jayapura, Indonesian Consul (Ade Mahulete) said that following the decision all border crossers will receive the needed facilities to return to their homes in Irian Jaya. However, the repatriation process cannot be held on a large scale yet because the PNG Government has not allocated funds for it. (Mahulete) said about 5,000 Irian Jaya border crossers are now living in PNG with some of them still located in holding camps.

Australia 'Determined' To Boost Investment

BK2508100094 Jakarta Radio Republik Indonesia Network in Indonesian 0000 GMT 25 Aug 94

[Text] Australia is determined to boost its investment in Indonesia as well as provide technical assistance in all fields. Australia's stand is contained in a joint statement issued by the delegation of the two countries at the end of the second ministerial forum in Canberra yesterday.

The joint statement, signed by the head of each country's delegation, was disclosed at a press conference attended by 32 Australian and foreign correspondents. Speaking in their capacity as heads of the Australian and Indonesian delegations, Foreign Minister Gareth Evans and Hartarto, coordinating minister for trade and industry, said they also agreed to encourage Indonesian investors to invest in Australia in the future.

Saddam Husayn Proposes POW Search to Suharto

BK2408013394 Jakarta Radio Republik Indonesia Network in Indonesian 0000 GMT 24 Aug 94

[Text] Iraqi President Saddam Husayn has proposed that President Suharto, as the Nonaligned Movement [NAM] leader, establish a fact-finding committee consisting of the Arab nations, Africa, Asia, Latin America, Russia, and China. The committee should conduct a direct and careful investigation with regard to the fate of about 600 prisoners of war raised by Kuwait [mengenai nasib 600 an tawanan perang yang dipermasalahkan Kuwait].

Speaking at a press conference in Jakarta yesterday, Alamsyah Ratuperwiranegara, who is NAM's special envoy and Indonesia's roving ambassador to Asia and the Middle East, said the Iraqi president made the proposal during their previous meeting.

Meanwhile, the Iraqi president has positively accepted and supported the NAM leader's concept of holding a meeting of the Arab nations.

Philippines

Japan's Prime Minister Murayama Concludes Visit

'Small' Meeting With Ramos Noted

BK2508101394 Quezon City Radio Filipinas in English 0230 GMT 25 Aug 94

[Newsbriefing by Foreign Affairs Undersecretary Rodolfo Severino on the 'small' meeting between President Fidel V. Ramos and Prime Minister Tomiichi Murayama on 24 Aug in Malacanang Palace.]

[Text] As expected, the prime minister gave assurances that his government, which is about two months old, will continue to [word indistinct] on the Japanese Government, which is to enhance relations with friendly countries especially the ASEAN, and he said that Japan's relations with ASEAN is one of the pillars of Japanese foreign policy. And in domestic policies, he expressed his commitments to tax reforms and [word indistinct] in the new era. His government is committed to bear in mind the issues of past history, which means that never again will Japan be a military power.

President Ramos underlines the (?parameters) between the Philippines and Japan had a shared value, the values that they shared referring specifically to democracy and human rights and dedication to an era where there is no more violent conflict and confrontation between two military (?forces). And the president welcomes Japan's fresh emphasis on Asia in which, according to him, is in line with the Philippines' interest and interest of the bilateral relations between the Philippines and Japan.

The prime minister said that he agrees with President Ramos and he (?emphasizes) that the enhancement of bilateral relations between the Philippines and Japan would lead to peace and stability in the region and this relationship should cover a broad range of concerns from politics to economics and culture and he pledged that Japan's (?bad) records will be [words indistinct].

The president then informed the prime minister of the reforms that the government is undertaking, referring to political and economic empowerment of the people and the pursuit of global competitiveness. And he went on to some specifics such as tariff reforms, social reforms, the determination of the administration to push through the ratification of the final act of the Uruguay Round. And the main purpose of all these reforms is the alleviation of the poverty of the people.

The prime minister expressed his high regard for the efforts of the Philippine Government to wielding the opportunities for livelihood and (?perfecting) global competitiveness, in particular on the social reform which the administration is undertaking, including those in education and the commitment of the Philippines to the liberalization of international trade.

The prime minister urged that the Philippines and Japan expand their contact because of a lot of things that the two countries had in common. The prime minister noted that next year will be the 50th anniversary of the end of the Pacific War. He said that it was important for Japan to face the past with respect to the countries of Asia, including the Philippines. He referred to his personal interest in the visit. He said that his government is considering the implementation of two programs: one, assistance for a special research in order to facilitate Japan's facing history squarely. The second is the promotion of exchanges among the people in Asia, especially the young people. He [word indistinct] that the president was giving the issue of the comfort women a great deal of consideration. He said that it was important for Japan to face the facts of history squarely and that it will moreover enhance the relations between Japan and the countries concerned.

The prime minister recalls the letter that President Ramos sent to Prime Minister Miyazawa. The letter was sent in 1992 and Prime Minister Murayama said that Japan will do its best to respond to the expectations of that letter, taking into account the suggestions that are in it. In response, the prime minister said that Japan is considering the construction of a vocational training center to improve the vocational skills and the welfare of women. At the same time he expressed the hope that Philippines and Japan would cooperate on the issue of comfort women in order to match the expectation of the Philippines.

The president expressed that he welcomes the proposal for the center for vocational training. He recalled that at the APEC [Asia-Pacific Economic Conference] leaders' conference in November of last year he had proposed a center which will help recognize the Philippines' capacity to host a center for technology exchange and training for small and medium scale enterprises and this will serve to train women as well as men. And he refers to the Japan's vocational skill acquired from the homes or the family and benefited their community. And the president also referred to the environmental programs that are reported to be effective with the support of other countries and also on the role of women as important to the preservation of the environment and indeed Mrs. Ramos is deeply involved in this project. The president said he looks forward for the initiative to the issues of development from the Second World War that would consider the issue of women and ways to better their lives, stressing the fact that women are highly involved in vocational training and the environment.

The prime minister acknowledged the efforts of Mrs. Ramos to clean up the Pasig River and stressed the importance of the relationship between the environment and development, and that there are many areas of cooperation between the Philippines and Japan with respect to promotion of better and closer relations.

The president went on to say that some of the major development projects in the Philippines on transportation and acknowledged Japan's help in the construction of roads and bridges, seaports and light rail transit. One of the most important of these projects is the development of seaports, and he referred specifically for the rehabilitation of the Manila Port and the Batangas Seaport which he foresees to be the major highway of commerce.

Ends Visit, Leaves for SRV

OW2508035794 Tokyo KYODO in English 0337 GMT 25 Aug 94

[Text] Manila, Aug. 25 KYODO—Japan's Prime Minister Tomiichi Murayama on Thursday ended his stay in the Philippines and left for Vietnam on the second leg of his official eight-day Southeast Asian trip that started Tuesday.

President Fidel Ramos called on Murayama and his daughter Yuri at his suite at the Manila Hotel before the Japanese delegation left for the airport.

During his three-day visit to Manila, he expressed repentance and offered an apology for Japan's wartime victimization of Asia during World War II in his talks with President Ramos.

Murayama, who assumed office in late June as Japan's first socialist premier in nearly half a century, also told Ramos that Tokyo is seriously considering how to express remorse for its wartime actions, including the forced recruitment of Asian women to provide sexual services for the Japanese military.

The 70-year-old Murayama will fly into Hanoi later Thursday, becoming the first Japanese premier to visit the city since the end of the Vietnam war in 1975.

He is scheduled to meet Vietnamese Premier Vo Van Kiet on Thursday. He will also confer with Vietnamese President Le Duc Anh and Vietnam's Communist Party Secretary General Do Muoi on Friday.

Murayama plans to pledge 7.7 billion yen in grants to back Hanoi's "Doi Moi" (Renovation) reform policy of promoting a market economy under the framework, according to Japanese officials.

The Asian tour will also take Murayama to Malaysia and Singapore.

Agricultural, Trade Agreement Signed With Mexico

BK2508102194 Manila MANILA BULLETIN in English 22 Aug 94 p B-6

[Text] The Philippines and Mexico recently forged an agricultural and trade package to help boost existing economic ties between the two countries.

This resulted from the recent one-week working visit of Agriculture Secretary Roberto S. Sebastian, who forged a Memorandum of Understanding (MOU) with his counterpart, Mexican Agriculture Secretary Carlos Hank Gonzalez.

The MOU seeks to promote joint activities, programs and exchanges in the field of livestock and poultry, dairy production and processing, animal health, plant science, and fruits and vegetable production and processing, among other areas of interest. It shall remain in force for 10 years.

Sebastian also reported that the National Bank of Foreign Trade of Mexico (Bancomext) offered a $20 million credit line for the possible purchase of Mexican cattle breeders.

The cattle will supplement existing breeding herd aimed at increasing the country's dwindling cattle population, a major concern being addressed under the DA's [Department of Agriculture] medium-term livestock development program.

Bancomext officials proposed a financing package of 85 percent of CIF [cost, insurance, and freight] value or 100 percent of FOB [free on board] value at competitive interest rates for a minimum of three years from the date of shipment, including an 18-month grace period.

Agreement With India To Yield Business Council

BK2508083394 Manila MANILA STANDARD in English 22 Aug 94 p 5

[By Merlinda Manalo]

[Text] The Philippines and India have signed an agreement establishing a joint business council in a bid to strengthen economic cooperation and promote investments from the private sectors of both countries.

The agreement, signed last 12 August, also aims to enhance technical cooperation between India and the Philippines and the setting up of data banks on investment opportunities and trade potentials between the two countries, Indian Ambassador Shymala Cowsik said in a statement.

The agreement was signed by Aurelio Periquet, board chairman of the Philippine Chambers of Commerce and Industry and Deepak Banker, vice president of the Federation of the Indian Chamber of Commerce and Industry.

A visit by a Philippine joint government-private sector trade delegation to India in November form part of the activities of the newly established business council. The Philippine trade mission will visit India in time for the International Trade Fair in New Delhi.

Cowsik said that the Philippines and India can benefit from closer trade ties especially with economic reforms being put in place in both countries.

Total trade volume between the two countries reached $335 million last year, with a balance of $116 million in favor of the Philippines.

Despite the increase, Cowsik noted that trade between the two countries was still minimal compared to India-Thai trade at $1 billion last year and India-Singapore trade at $2.69 billion for the same period.

Cowsik said India and the Philippines can enter into joint ventures in vehicle manufacturing, drugs and pharmaceuticals, power generation, agriculture, animal husbandry, dairying, and the cement, textile, and sugar industries among other fields.

Defense Chief Comments on 'Defense Posture'

BK2508101794 Manila BUSINESS WORLD in English 22 Aug 94 p 16

[Text] In a move to justify the proposed defense budget of P26 billion [Philippine pesos] (or 6.78 percent of the 1995 national budget), Defense Sec. Renato de Villa said there is a need to improve the country's "defense posture" in the light of developments in the local and international scene.

The defense chief stressed that government cannot as yet brush aside the capabilities of existing rebel and terrorist groups in the country and sweep under the rug the security problems posed by the Philippines' neighboring countries.

He said that for instance, the communist rebellion has shown its "ability to resurrect" despite the military's declaration of strategic victory over communist rebels.

Recent intelligence reports said the number of units put up by different communist fronts have increased. The military said guerrillas in the countryside have not really increased in number but merely divided some fronts into smaller units in order to give the impression that their strength has improved.

"Our intelligence reports indicate that the insurgents have splintered into smaller groups and are back to basic political and organizational work, recruitment and foraging activities as they were in the earlier stages in the insurgency," Mr. de Villa said.

"We should be ever cautious at this point, given the ability of insurgency to resurrect from even its perceived demise. We can sense a living organism that has the ability to grow and regenerate under certain conditions," he added.

The defense chief also said the extremist group Abu Sayyaf remains a threat not only in the provinces of Basilan and Sulu but also in the whole of Mindanao.

Further, Mr. de Villa said there is a strong need to modernize the Armed Forces of the Philippines because the post cold war environment "remains filled with uncertainties" given the present global outlook.

He pointed out that even as economic growth remains to be the primary concern of all countries, the need for stable security is vital in ensuring this.

Mr. de Villa expressed concern over India's military buildup. Some Asian countries were reportedly alarmed by India's sudden decision to acquire missiles, develop a naval base and expand its navy.

The Philippines, being one of the most backward in terms of military capabilities among the claimants of the Spratly Islands off South China Sea, should also start gearing up its armed forces to be able to protect its claims, Mr. de Villa said.

"The Spratlys remain a veritable flashpoint, despite the commitment of the six claimant countries to a peaceful resolution of the territorial dispute and to cooperative joint development of the area in the meantime pending the resolution of the dispute," he said.

According to the defense secretary, there is an urgent need for Congress to grant his department's proposed budget as over P22 billion of it would go to the Armed Forces of the Philippines (AFP).

The 1995 defense budget will give the Office of Civil Defense P34 million while P3.3 billion has been reserved for war veterans. A budget amounting to P99.8 million would go to the Office of Defense Secretary, while P12.8 million is being appropriated for the National Defense College of the Philippines. At least P152 million of the total budget will also go to the military arsenal.

Recently, Mr. de Villa urged Congress to approve the proposed budget, saying modernizing the AFP must be one of the country's primary concern.

"Our country must have a credible defense capability to be able to meaningfully participate in the regional security endeavors," he said.

Military on MNLF Buildup of Strength, Arms

BK2508113794 Manila BUSINESS WORLD in English 22 Aug 94 p 16

[Text] The military is looking into reports that the Moro National Liberation Front (MNLF) is again recruiting members and acquiring firearms from a foreign country even as it is engaged in peace talks with the government.

A military intelligence report obtained by BUSINESS WORLD said the MNLF has been urging members of the Muslim community in Mindanao to join the rebel group headed by Nur Misuari.

The new recruits are trained to use high-powered firearms in identified MNLF camps in southern Philippines, the report said.

Brig. Gen. Guillermo Ruiz, chief of the Philippine Marines and government representative to the joint cease-fire committee (JCC) with the MNLF confirmed that there have been reports of recruitment and upgrading of arms but added the military is still in the process of verifying them.

"There have been reports that the MNLF is once again recruiting members and upgrading their arms capability, but we cannot confirm these at the moment," Mr. Ruiz said.

If confirmed to be true, these activities may be construed as a major violation of the existing cease-fire agreement with the Muslim rebels, he said.

Mr. Ruiz added the reports may place doubt on the sincerity of the MNLF in engaging in the government-initiated peace process.

Talks between the two panels were earlier affected by the operations launched against the extremist group Abu Sayyaf in Patikul, Sulu and later in Basilan province.

The MNLF questioned the sincerity of government when hundreds of troops were deployed to eliminate the members of the relatively small terrorist group. MNLF leaders also said the military is using the drive against the Abu Sayyaf to occupy strategic places in Mindanao.

Armed Forces Chief of Staff Gen. Arturo Enrile, earlier, said luring new members into the Muslim group is "something that can be expected" from the MNLF. After all, he said, an agreement has not been reached to settle the decades-old conflict in the south.

Still, he added that the group should refrain from activities which violate the cease-fire agreement in order to improve the relationship between the two panels.

Defense Sec. Renato S. de Villa, on the other hand, expressed apprehension over the consistent reports reaching military general headquarters. Although the strength of the secessionist movement remains generally unchanged, he said "clear reports" of new recruitments and firearms acquisition remain "worrisome."

But MNLF representatives to the JCC denied the reports, saying the fresh round of trainings conducted on members were part of the "upgrading of force" by the group.

NPA Shifts to Cagayan Valley Urban Centers

BK2508083694 Manila PHILIPPINE DAILY INQUIRER in English 20 Aug 94 p 6

[By Raymund Catindig]

[Text] Tuguegarao, Cagayan—After the collapse of all its eight guerrilla fronts in Cagayan Valley, the New People's Army [NPA] in the region is shifting its military operations to the urban centers.

This was disclosed Thursday by Supt. Herminigildo Defiesta, regional director of the Criminal Investigation Service Command, following an analysis of rebel documents seized from an NPA camp in Ilagan, Isabela last Saturday.

As this developed, government troops raided this week two rebel camps in Zinundungan Valley in Kalinga Apayao, killing two NPA rebels and wounding two others.

The soldiers also burned five big bunkers used by the NPA in Zinundungan.

Seized during the raid were eight M16 Armalite rifles, three M14 rifles, a 9 mm. Star pistol, a 9 mm. Ingram submachine gun, a .38 caliber revolver, audio visual equipment, a power generator, computers, rice and other foodstuff.

Three soldiers and a militiaman, who were part of the Army contingent sent to reinforce the police were wounded when they stepped on a land mine planted by the rebels near the camps.

Based on the seized documents, Defiesta said members of the NPA national battalion in Kalinga Apayao have dispersed and are now establishing alternate bases in Ilagan and San Mariano towns.

The setting up of these bases is a prelude to the establishment of NPA fronts in urban centers, Defiesta said.

An earlier assessment given by Maj. Romeo Baylon, then operations chief of the 5th Army Division, cited the rebels' campaign to liquidate barangay [village] captains who refused to support the NPA.

Since February this year, 10 former NPA rebels, who surrendered to the government, had been assassinated by NPA hit squads.

Barangay Captain Nicolas Collado, who escaped from NPA captivity last 22 June, said 10 suspected military supporters are being detained by the NPA in Isabela forests.

Thailand

Continued Reports on Proposed U.S. Funding Cut

Wimon on Cutting of JUSMAG Funding

BK2508051594 Bangkok THE NATION in English 25 Aug 94 p A2

[Text] Army Commander-in-Chief Gen Wimon Wongwanit confirmed yesterday that the Army might cut its support to the Joint US Military Advisory Group (Jusmag) in retaliation to the attempt by the US Congress to stop supporting a US$ 10 million training programme for Thai soldiers.

The US Congress is debating whether to halt the funding because of the Thai Army's alleged support of Cambodia's Khmer Rouge and Burma's military government.

Wimon denied the allegations, and said the Army had not made a final decision over the ending of aid through the US International Military Education Training Programme.

The programme involves Thai soldiers being sent to the United States for specialized training.

He said cutting support to Jusmag could compensate the loss, as the funds could be diverted to the Army.

The amount Jusmag receives was not released.

"This is not a protest against the US, and even if they carry out their threat the Army can still stand on its feet," Wimon said.

Wimon said he did not believe that military relationships between Thailand and the US would be affected. "We are still good friends," he said.

Defence Minister Gen Wijit Sukmak said the US decision on whether to cut its training support depends on cooperation from the Foreign Ministry, but added that there will be no problems if the Thai Army had to rely on themselves.

Wichit said the problem had arisen because the foreign press was trying to damage the country's reputation. The Foreign Ministry has to do something to promote Thailand in a better light.

He said the US administration did not agree with Congress over the matter.

Navy Commander-in-Chief Adm Prachet Siridet agreed with Wimon. Prachet said the Thai armed forces may have to cut aid to Jusmag, but there should be further discussions on the issue before decisions were made.

He said the aid cut would not affect the Army badly because it has encountered such problems before.

Prachet, who has just returned from trips to Sweden and Russia, said Russia wanted to sell weapons to the Thai Navy, but he refused because the Navy presently had no plans to buy from them.

Ministers Comment

BK2508041194 Bangkok BANGKOK POST in English 25 Aug 94 pp 1, 2

[Text] The Foreign Ministry maintained yesterday that Thailand's policy on Cambodia and Burma was correct and talks would be held soon with US Ambassador David Lambertson on the US Congress proposal to cut funding to the Thai armed forces.

Foreign Minister Prasong Sunsiri said the proposal to slash the financial package was initiated by certain members of the US Congress, not the US State Department. The United States Government does not agree with the idea.

"I will hold more talks with the US ambassador. We met before I left for Africa and Mr Lambertson said he would see me when I return," said Sqn Ldr [Squadron Leader] Prasong.

The Thai military on Tuesday vowed to retaliate against the United States by urging the Government to cut support for the Joint US Military Advisory Group (JUSMAG) if Congress insists on cutting the $10 million in aid paid annually to the Thai armed forces.

The financial assistance by the US Government under the International Military Education Training Programme is given to Thailand each year to allow about 100 Thai military personnel to undergo training and study in the US.

Members of the US Congress claim the Thai military continues to provide support to the Khmer Rouge and cited this as a reason for the aid cut.

Deputy Foreign Minister Surin Phitsuwan said Thailand had done its best under the situation. Some countries may wish to advise on "this and that" but the final decision would be made by Thailand, he said.

Mr Surin said overall US military assistance to Thailand had been reduced greatly over the years.

He said he was confident the relationship between Thailand and its neighbours would continue on a good path resulting eventually in benefits for countries throughout the region.

Defence Minister Wichit Sukmak said some US congressmen working on the bill to cut aid to the Thai military were sticking to the outdated belief that Thailand was helping the Khmer Rouge.

He said Thailand had helped the guerrillas, who were outlawed by Cambodia's National Assembly last month, but this help was provided during the so-called resistance years when the Khmer Rouge was part of the tripartite coalition with the Sihanoukists and the Khmer People's National Liberation Front (KPNLF).

Gen Wichit said Thailand was not the only country that provided them assistance as members of the United Nations did the same thing. Current doubts about Thailand's alleged support was the result of an "old picture" which no longer existed.

Supreme Command spokesman Anuson Kritsanaserani revealed on Tuesday the US Congress planned to propose a cut in military aid through the International Military Education Training Programme (IMETP) because of doubts about Thai military policy on Cambodia.

Gen Wichit said he did not think the US Government supported the congressmen's view on the issue.

"This is a US Congress perspective and has nothing to do with its government," he insisted.

Gen Wichit said it was likely the proposed cut would be forwarded to the Congressional Military Affairs Committee.

He said the initiative was understandable as the congressmen might want to cut assistance given to US allies which have not complied with policies laid down by the US Government.

"US assistance given to IMETP might be affected if they consider that we have a policy against them.

"We have stressed several times that we support the elected (Cambodian) government and have followed UN resolutions."

Gen Wichit said members of the US Government had clarified the issue with him, adding he had told armed forces commanders about the position of the US administration which differs from that of the Congress.

He complained that some members of the foreign press had intentionally tried to discredit the country's international image by reporting damaging stories on Thailand.

Army Commander Wimon Wongwanit said yesterday he did not think the aid cut would cause many problems for the armed forces.

"There should be no problems. If the aid is cut then so be it, as we have to stand on our own legs," he said.

Officials React

BK2508151194 Bangkok Thai Color Television Channel 9 in Thai 1200 GMT 25 Aug 94

[Text] Commenting on the attitude of some U.S. congressmen regarding Thailand's policy on the Khmer Rouge and Burma, Foreign Minister Squadron Leader Prasong Sunsiri said their views are outdated and no longer match with the changes at present. Concerning the U.S. financial aid in question, he said the amount is not much and decreasing.

[Begin Prasong recording] We have our ambassador there and we have always been working with members of the U.S. Congress. As a matter of fact, the U.S. Government has understands well, but some U.S. congressmen and senators might not have closely followed developments and therefore have stuck on to old thinking. [end recording]

Deputy Foreign Minister Surin Phitsuwan said the views expressed by members of the U.S. Congress reflected the differences of opinions, which is normal in a democratic society. Minister Surin however said he believed the U.S. Government understands Thailand's role well.

Army Commander General Wimon Wongwanit said he would organize a talk to explain the policy and role of the Thai armed forces with regards to the Khmer Rouge, still a matter of suspicion by foreign countries.

Meanwhile, the special committee scrutinizing the 1995 expense budget bill of the House of Representatives indicated that it wished to invite the foreign minister to explanin about the U.S. move to cut scholarship funding for Thai military personnel. The spokesman of the special committee, Songsuk Phakkasem, said he wanted to do this because there has been a proposal by some military leaders that Thailand should retaliate by cutting financial support given to the United States under the Defense Ministry's budget.

House Foreign Affairs Panel Responds

BK2508041594 Bangkok BANGKOK POST in English 25 Aug 94 p 3

[Text] The House Foreign Affairs Committee yesterday agreed it would not mind if the United States cut financial aid to the Thai armed forces on the grounds Thailand had become self-reliant.

But it would not accept it if the US reasoned Thailand was still supporting the Khmer Rouge.

Committee deputy spokesman Kuthep Saikrachang said after yesterday's meeting accusations about the Khmer Rouge were not acceptable because they were untrue.

But Mr Kuthep said the committee did not agree that the Government cut support to the Joint US Military Advisory Group (JUSMAG) as retaliation as suggested this week by the armed forces.

This has nothing to do with the aid in question, he said.

Mr Kuthep said the committee also thought it unjustifiable for Cambodia to continue to detain nine Thais charged with being involved in a failed coup two months ago, reasoning that their personal background is the same as the five who have been released.

The committee wanted the nine released immediately and would fully cooperate if Cambodia wanted to send officials to question Thai people about the failed coup, he said.

Mr Kuthep said the committee believed if Cambodian Prince Norodom Chakkrapong, the alleged coup leader, was still in Thailand, authorities should ensure he leaves as soon as possible.

Allowing the prince to stay would only cause Cambodia to misunderstand Thailand, Mr Kuthep said.

Army Insists Mon Refugees Must Return to Burma

BK2508074594 Bangkok THE NATION in English 25 Aug 94 p A2

[Text] Senior military officers yesterday reiterated demands that Mon refugees taking shelter at the Ban Ton Yang Thai border checkpoint in Kanchanaburi must return to Burma.

"We love our neighbours," said Army Commander-in-Chief Gen Wimon Wongwanit. "But if they come into our country and cause trouble then they cannot stay."

Interviewed separately, Lt Gen Sanan Khachonklam, the officer in-charge of border affairs for the Supreme Command's Joint Operations Centre, also declared it was Thai policy for all illegal immigrants to be sent back home, whether they came for economic or political reasons.

But he added that force would not be used to send the Mon back to Burma.

"We will not use forceful measures to repatriate them," Sanan said. "We will work through negotiations."

Sanan claimed it was now safe for the Mon to return to Halockhani, the camp located just across the border from Ban Ton Yang. A raid last month on Halockhani by Burmese soldiers from the 62nd Light Infantry Battalion previously stationed at Three Pagodas Pass caused 6,000 Mon to flee to the border checkpoint, which the refugees have now dubbed New Halockhani.

Thai authorities have cut off the only road that leads to New Halockhani, preventing delivery of basic supplies such as rice and medicine. Representatives of relief agencies have been told they cannot enter the camp unless there is an emergency.

Thai officials say the blockade will be lifted once the Mon go back to Halockhani.

On Tuesday, Sanan held a joint press conference at Three Pagodas Pass with Col Tin Kyaw, commander of the 61st Light Infantry Battalion now stationed there, to announce that the refugees would be safe from attack if they returned to Halockhani. The press conference was televised on the military-run TV Channel 7.

Asked why he did not also visit Mon relief authorities or the refugees themselves, Sanan said that was the responsibility of a border committee made up of local officials. He said he had met with a foreign representative of the

Burma Border Consortium, a group of donors which provide aid to Burmese refugees.

On Wednesday, Sanan held a meeting with the representative of the UN High Commissioner for Refugees (UNHCR) to discuss plans for the repatriation of Burmese refugees.

A UNHCR source said the agency would cooperate with the Thai government to repatriate Burmese refugees on three conditions.

First, the repatriation must be voluntary, not forced.

Secondly, the situation must be "conducive" to repatriation. In other words, the source said, there must be a real peace settlement between opposing sides, and not simply a local agreement between two army commanders.

Burmese Committee Permits Use of Disputed Isle

BK2508070594 Bangkok BANGKOK POST in English 25 Aug 94 p 6

[Text] Tak—Thai and Burmese officials yesterday agreed to let landowners use land on a small islet created by a change in the course of the Moei River.

But both sides still claim sovereignty over the land.

Thai officials yesterday held the 12th Local Thai-Burmese Border Committee meeting and discussed border problems created by a change in the river course with their Burmese counterparts.

Leading the Thai committee was Maj-Gen Bunlua Chittawikun while Maj Than Swe represented the Burmese side.

Maj-Gen Bunlua explained that heavy rains repeatedly flooded the border area in July causing the river banks to erode and islets to emerge in the river.

He suggested both sides still retain rights over their land and help oversee their people until demarcation matters are settled.

Maj Than Swe told Thai officials that the Burmese border committee could not decide which newly-emerged islets belonged to which country.

He said it was better to let the Thai-Burmese Border Demarcation Committee make a final decision and that the original owners be allowed to continue using the land.

The Burmese major said he would forward the Thai proposal to senior officials in Rangoon.

Mae Sot District chief Kasem Wattanatham told reporters earlier that it was necessary for Thai authorities to help Thai nationals who were affected by the problem.

Police Asked To Expedite Chakkrapong Departure

BK2508063794 Bangkok THE NATION in English 25 Aug 94 p A5

[Text] The Police Department has been asked to persuade Cambodia's Prince Norodom Chakkrapong to leave Thailand as soon as possible, Foreign Minister Prasong Sunsiri said yesterday.

The minister said he telephoned Police Chief Pol Gen [Police General] Pratin Santipraphop on Tuesday and talked about Prince Chakkrapong's extended stay in Thailand since August 4 although he was scheduled to leave for Paris on August 7.

"I asked Pol Gen Pratin to get the Police Immigration Office to take immediate steps so that the prince leaves the country as soon as possible," said Prasong.

The prince was accused by the Cambodian Government of leading a coup attempt in July which saw the arrests of 14 Thais and of certain Cambodian generals. He denied in a interview any involvement in the abortive coup.

The disgraced prince was forced to leave Kuala Lumpur for Thailand as Cambodian Prime Minister Prince Norodom Ranariddh was due to visit the country. He was said to spend a brief transit here before going on to France.

Prasong said Prince Chakkrapong cannot stay here as he did not seek asylum here. France has granted the Prince asylum, said Prasong.

Cambodia has learnt of the Prince's long stay in Thailand and has raised the issue with the Thai side, but has yet to make any official complaint.

Prasong yesterday described as groundless a report quoting a Cambodian official as saying the Thai National Security Council allowed Prince Chakkrapong to stay here.

The official who declined to be identified further claimed in a Reuter report that Cambodia felt that Chakkrapong might even make attempts to link up with the Khmer Rouge to strengthen the position of the guerillas.

"It is groundless to make such claim. Anybody can make such an accusation, but it is groundless," said the minister.

Prime Minister Sets Agenda for Visit to Japan

BK2308121494 Bangkok BANGKOK POST in English 23 Aug 94 p 7

[Text] Prime Minister Chuan Likphai is scheduled to pay an official visit to Japan during September 2-7 to strengthen bilateral relations in terms of politics and economics, as well to expand cooperation in trade and investment between the two countries.

According to a Foreign Ministry press statement, the premier will take the opportunity to exchange views with the Japanese leaders on international problems and regional situations, including seeking opportunities for closer cooperation in development in the Asia-Pacific region.

Mr Chuan will hold discussions with Japanese Prime Minister Tomiichi Murayama on September 3, and is due to receive a court luncheon by Japanese Emperor at the Imperial Palace on September 6, before departing for Osaka that night.

"Both prime ministers will discuss bilateral and regional issues. The bilateral topics will stress on trade and investment, particularly on Thailand's readiness to support Japan's industrialization shift and cooperation on technology transfer, human resources development and environmental management," the statement said.

While in Tokyo, Mr Chuan is also scheduled on September 5 to deliver a speech on the economic policy of Thailand to Japanese leading members of Japan Foreign Trade Council, Japan-Thailand of Commerce and Industry, and Japan-Thailand Trade and Economic Committee.

Chuan Views Trade Deficit With Japanese Investors

BK2508060294 Bangkok THE NATION in English 25 Aug 94 pp B1, B2

[Text] Prime Minister Chuan Likphai yesterday told Japanese investors here that Thailand wishes to see more Japanese participation in the country's economic development in the years to come.

Chuan also asked Japanese businessmen to help ease Thailand's trade deficit with Japan by buying more goods from Thailand. He cited the huge trade deficit of Bt [baht] 194 billion with Japan in 1993, which accounted for 80 per cent of the country's overall deficit. "We cannot tolerate that figure," Chuan said.

While Thai importers are still in need of Japanese products and unlikely to buy less, a possible way to ease the trade deficit is to prompt the Japanese to buy more from Thailand, he suggested.

Premier Chuan, in his first meeting with a foreign chamber of commerce, assured more than 350 Japanese investors at a luncheon of commerce in Bangkok that the Thai Government would continue giving support to Japanese investors by briefing them on how the Thai Government has reformed customs duties, plans to cut red tape and solve infrastructure problems.

Moreover, he assured the Japanese that the Thai Government would not amend the Alien Business Law in a way to harm existing Japanese businesses in Thailand. "I understand that amendment of the Alien Business Law, which took effect in 1972, has been underway, and not yet concluded. However, I can assure you that the amendment would not come in a way to lower the business privileges given to the Japanese from the current level. The government has planned to amend the Alien Business Law to comply with the liberal trend in world trade, and therefore, we have no reason to back off from the trend," Chuan told the Japanese investors.

Chuan met members of the Japanese Chamber of Commerce to exchange views prior to his visit to Japan early next month. Chuan hopes to persuade Japanese investors to participate in supporting industries, and promote technology transfer during the upcoming visit. Japan is the biggest foreign investor in Thailand. Japanese investment by 1992 totalled Bt390 billion.

"Thais and Japanese enjoy cultural affinity, prompting the two peoples to successfully weave economic ties," Chuan said. "Like other countries in the region, Thailand wants to attract more investment from Japan because it creates jobs and income for local people. Moreover, Japanese investment can serve as a model for environmental protection."

Meanwhile, President of the Japanese Chamber of Commerce Hiroyuki Maruko urged the prime minister to take immediate action in three areas—traffic jams, environmental structure, and human resources development.

Maruko also told the Thai premier that in the future, Japanese investors will participate more in the service and supporting industries of Thailand. The latest rise of the Japanese yen, he continued, has already caused a fourth wave of Japanese investment.

A Japanese investor from the textile industry also asked Chuan about the progress Thailand has made towards reforming customs duties. He said that the Japanese textile industry has to pay high tariffs of 30 per cent on some chemical substances, compared with only 5-10 per cent imposed by Indonesia and 2 per cent by Malaysia.

Chuan said that tariff restructuring is high on the government's agenda. He reassured the investors that the customs duty on raw materials will be eventually brought down to 5 per cent. The question is only how the government could accelerate the cut, he said.

Chuan was originally to visit Japan in late April at the invitation of former Japanese Premier Morihiro Hosokawa. The visit was postponed until September due to the political turmoil in Japan. "I need to be hasty for this Japan trip. I don't want to see my schedule changed again," Chuan said.

Chuan said that Japanese businessmen should have a better understanding of Thai politics now that Japan has a coalition government for the first time in almost 40 years. "Two years ago, you might have had no idea what was happening here in Thailand since you never had a coalition government, but it seems to me that in the past two years, the Japanese political scene has changed faster than Thailand's," Chuan said.

Acting Foreign Minister Meets Iraqi Minister

JN2508111594 Baghdad Republic of Iraq Radio Network in Arabic 1030 GMT 25 Aug 94

[Text] [Iraqi] Foreign Minister Muhammad Sa'id al-Sahhaf met with Surin Phitsuwan, Thailand's acting foreign minister, in Bangkok the day before yesterday [23 August].

During the meeting, the minister reviewed in detail the latest developments in relations between Iraq and the UN Security Council. He stressed the need for Thailand's effective contribution to the international efforts seeking to implement Paragraph 22 of UN Security Council Resolution 687 and to lift the embargo imposed on Iraqi oil exports, especially since Iraq has fulfilled all of its obligations toward the UN Security Council resolutions.

Thailand's acting foreign minister said he understands the arguments put forth by the foreign minister on relations between Iraq and the UN Security Council. He also voiced the Thai people's sympathy with the Iraqi people and their hopes to lift the unjust blockade as soon as possible to put an end to the suffering of the Iraqi people caused by this unfair blockade. He also stressed his country's keenness to improve the ties of friendship and cooperation with Iraq, particularly in the economic and commercial fields.

Foreign Minister Muhammad Sa'id al-Sahhaf stopped in Bangkok the day before yesterday on his way to China on an official visit of several days.

Government Lifts al-Arqam Visa Ban

BK2508053394 Bangkok BANGKOK POST in English 25 Aug 94 p 6

[Text] Thailand has decided to lift a visa ban on members of the al-Arqam Muslim sect, which has been outlawed in Malaysia, because they are not harmful to peace and order nor national security.

Deputy Permanent Secretary for Security Affairs Chaloem Phromloet said yesterday he had received a report on the return to Thailand last Saturday from Jordan of sect leader Ashaari Muhammad.

He said the Thai Constitution guaranteed people the right to religious freedom.

Mr Chaloem said the group had never disturbed peace and order nor done anything which may affect national security.

He said Malaysia or any other country had not informed Thailand of any wrongdoing committed by the group so the Thai Government had decided to allow members to re-enter the country.

Mr Chaloem said the group had earlier left Thailand because their visas had expired.

He said members of the al-Arqam sect and aliens from foreign countries would not be required in the future to leave the country before their visa is extended since the Interior Ministry has proposed an amendment to the immigration law which would enable them to receive a multiple visa which can be extended in Thailand on expiry.

The amendment will not only be convenient for aliens, especially those given investment promotion privileges, it will help them save travelling costs.

"They may have to pay a single fee of 20,000 baht, and this means they will not have to keep travelling in and out of the country unnecessarily," said Mr Chaloem.

A ministry official said the Interior Ministry had discovered that some al-Arqam members came to Thailand as much as seven to eight years ago and have since set up companies whose investment in the country is worth about 7,000 million baht.

Some have even received investment promotion privileges from the Board of Investment.

Special Branch Bureau Commissioner Lt-Gen Narongwit Thaithong said his office had not obtained any information that a western terrorist group planned to carry out sabotage in Thailand.

Vietnam

Japanese Prime Minister Murayama on Official Visit

Hanoi Hails Upcoming Visit

BK2308144994 Hanoi Voice of Vietnam in English 1000 GMT 23 Aug 94

[Station commentary]

[Text] The new Japanese ambassador to Vietnam, Mr. Kazuo Ogura, has formally announced that the Japanese Prime Minister, Mr. Murayama, will visit Vietnam on August 25 and 26. At a press conference in Hanoi this week, the Japanese ambassador said it was the first visit to Vietnam by the Japanese prime minister to promote friendship and cooperation. It is in conformity with Japan's current diplomatic policy. Here is our radio editor's opinion:

The Japanese Government deems it is necessary to promote cooperation with Southeast Asian countries, an area with a dynamic developing economy and an attractive market for Japan.

Japan wished to help restoration in Vietnam after the war ended in 1975. The Cambodian tragedy shattered that intention. However, several years later when the Cambodian peace agreement was signed and Vietnam's goodwill in solving the Cambodian issue was obvious, Japan again determined to assist Vietnam in integrating with the international community. Japanese leaders felt that efforts should be made to compensate for the lost times. For them, tomorrow would be too late. This viewpoint has been supported by the Japanese business community; almost all major Japanese trading companies have established representative offices in Vietnam. Keidanren, the union representing Japanese largest companies, has set up a Japan-Vietnam committee and carries out bilateral annual meetings.

Japan is now Vietnam's biggest trading partner with two-way turnover of 1.8 billion U.S. dollars. Japan also now ranks fifth among foreign investors in Vietnam.

With Vietnam preparing to join ASEAN, Japan is finding it prudent and necessary to improve cooperation with Southeast Asian countries. That is why despite many problems back in Japan, the Prime Minister is now going to visit four countries in the region on this trip, including Vietnam, the Philippines, Malaysia, and Singapore.

International observers are calling it a historic visit, contributing to the trend of cooperation in Southeast Asia and Asia-Pacific.

Vo Van Kiet Previews Visit

OW2308142094 Tokyo KYODO in English 1336 GMT 23 Aug 94

[Text] Hanoi, Aug. 23 KYODO—Prime Minister Vo Van Kiet on Tuesday urged Japan to boost its investments in Vietnam, saying Japanese aid is indispensable for his country's economic development.

Speaking with Japanese reporters prior to Prime Minister Tomiichi Murayama's visit, Kiet said, "Japan is the largest trading partner and aid supplier for Vietnam, but (Japanese) investments do not correspond to the relationship."

Kiet said he will ask Murayama, who is scheduled to visit the country on Thursday as part of an ongoing tour of Southeast Asian countries, to consider incentives for Japanese companies to invest in Vietnam.

"Prime Minister Murayama's visit will not only represent a new step in bilateral relations, but will have great significance for the entire region," he said.

He also voiced strong expectations for Japan's support for Vietnamese bids for rapprochement with the United States and to join the Association of the Southeast Asian Nations.

"I believe we will receive greater support from Japan (over the issues) than we have received so far," he said.

On Japan's role in World War II, Kiet said the actions of the Japanese Imperial Army during the war "left a large scar" for the Vietnamese people.

But he stressed, "we close the door on the past and look to the future. The two countries should boost cooperation in order to heal the wounds."

Sees Ties Entering 'New Age'

BK2408065794 Hanoi VNA in English 0622 GMT 24 Aug 94

[Text] Hanoi VNA August 24—The Japan-Vietnam relations are entering into a new age, said Japanese Prime Minister [P.M.] Tomiichi Murayama in a recent interview with the daily NHAN DAN on his forthcoming visit to Vietnam.

Answering a question on the prospect of the Japan-Vietnam relations, the prime minister said that since 1992 Japan has realized its full economic cooperation with Vietnam with the aim to positively assist the latter's reform policy and planned to continue this policy in the coming time.

He stressed that from now on, looking towards a new age in the Japan-Vietnam relations, he would like to build the broadened bilateral cooperative relations with Vietnam, not only in the economic field but also in the political, cultural ones and others.

While regular direct flights between Japan and Vietnam are becoming true to shorten the distance between the two countries, the P.M. expected more active exchanges between the two countries including those from the private sectors and governments as well, he said.

The Japanese prime minister said that if a good investment environment was created in Vietnam, the Japanese private investments into Vietnam would increase. The point was, he stressed,the Vietnamese Government's efforts to create a favourable environment for foreign investments, and the Japanese Government planned to cooperate with those efforts through its economic cooperation and other measures.

Arrives for Talks With Leaders

OW2508065194 Tokyo KYODO in English 0636 GMT 25 Aug 94

[Text] Hanoi, Aug. 25 KYODO—Japanese Prime Minister Tomiichi Murayama flew into Hanoi on Thursday for talks with Vietnamese leaders on Japan's economic aid to Vietnam.

Murayama, making an official eight-day tour of four Southeast Asian nations that began Tuesday, is the first Japanese premier to visit the country since the unification of Vietnam in 1975. In 1967, then Prime Minister Eisaku Sato visited South Vietnam.

He arrived in Vietnam after visiting the Philippines, where he conferred with Philippine President Fidel Ramos. He will also visit Malaysia and Singapore.

Murayama is scheduled to meet Premier Vo Van Kiet later Thursday. He will also hold talks with President Le Duc Anh and Vietnam's Communist Party Secretary General Do Muoi on Friday.

Murayama plans to pledge 7.7 billion yen in grants to back Hanoi's "Doi Moi" economic reform policy of promoting a market economy, according to Japanese officials.

Attends Welcoming Ceremony

OW2508100494 Tokyo KYODO in English 0936 GMT 25 Aug 94

[By Takehiko Kajita]

[Text] Hanoi, Aug. 25 KYODO—Japanese Prime Minister Tomiichi Murayama attended a welcoming ceremony Thursday upon his arrival in Vietnam, the second leg of his official eight-day tour of four Southeast Asian countries.

The leader attended the ceremony hosted by Premier Vo Van Kiet on the front yard of the presidential palace. Also present were Foreign Minister Nguyen Manh Cam of Vietnam, Murayama's daughter, Yuri Nakahara, Deputy Chief Cabinet Secretary Hiroyuki Sonoda, and Japanese Ambassador to Vietnam Kazuo Ogura.

Murayama, Japan's first socialist premier in nearly half a century and the first prime minister to visit Vietnam since the end of the Vietnam war in 1975, then sat down for talks with Kiet. The 70-year-old Murayama will also meet President Le Duc Anh and Vietnamese Communist Party Secretary General Do Muoi on Friday.

The Asian swing is Murayama's third overseas trip since his rise to power in June, following July visits to Naples, Italy, to attend the summit of the Group of Seven (G-7) major economic powers and to Seoul for talks with South Korean President Kim Yong-sam.

Murayama will also visit Malaysia and Singapore to confer with his counterparts, Mahathir Mohamed and Go Chok Tong, respectively. He is scheduled to return home Tuesday.

Attends Aid Signing Ceremony

OW2508104894 Tokyo KYODO in English 1037 GMT 25 Aug 94

[Text] Tokyo, Aug. 25 KYODO—Japan and Vietnam signed agreements Thursday on Japan's grant-in-aid of up to 7.73 billion yen and the dispatch of a group of Japanese aid workers to Vietnam, the Foreign Ministry said.

Prime Minister Tomiichi Murayama, who is currently visiting Vietnam until Friday, and Vietnamese Premier Vo Van Kiet attended the signing ceremony in Hanoi, the ministry said. Japanese Ambassador to Vietnam Kazuo Ogura and Vietnamese Foreign Minister Nguyen Manh Cam signed the documents.

Under the accords, Japan will extend the grant-in-aid to help Vietnam finance five projects, the ministry said. The projects are aimed at repairing the cho ray hospital in southern Vietnam, improving medical equipment in nine medical facilities in Hanoi and beefing up water-supply facilities in the Gia Lam area in Hanoi.

Other projects are aimed at improving facilities and equipment at the agriculture faculty of Can Tho University and repairing or building 30 elementary schools in northern Vietnam. Also under the agreements, the governmental Japan International Cooperation Agency (JICA) will dispatch aid workers to Vietnam to contribute to the country's economic and social development, the ministry said.

Meets Kiet, Agrees To Strengthen Ties

OW2508124194 Tokyo KYODO in English 1229 GMT 25 Aug 94

[Text] Hanoi, Aug. 25 KYODO—Japanese Prime Minister Tomiichi Murayama told Premier Vo Van Kiet on Thursday [25 August] that he wants to use the visit as an opportunity to open the door to an new era between Japan and Vietnam.

Kiet also expressed hopes of strengthening friendly, future-oriented relations, officials said. The two leaders agreed to expand comprehensive economic cooperation, including yen loans from Japan, the officials said.

Murayama, Japan's first socialist prime minister in nearly half a century, arrived in Hanoi on Thursday as the first premier to visit the nation since the end of the Vietnam war in 1975. The visit is the second leg of his eight-day official trip to four Southeast Asian countries that began Tuesday. He wound up a visit to the Philippines on Thursday and will go on to Singapore and Malaysia.

Hopes for 'New Era' of Ties

OW2508140894 Tokyo KYODO in English 1401 GMT 25 Aug 94

[By Takehiko Kajita]

[Text] Hanoi, Aug. 25 KYODO—Japanese and Vietnamese Prime Ministers Tomiichi Murayama and Vo Van Kiet concurred Thursday on the need for their countries to move toward creating new bilateral relations, Japanese officials said.

Murayama, the first Japanese premier to visit this communist country since the end of the Vietnam war in 1975, told Kiet, "I would be very happy if my visit here would help open the door for a new era of Japan-Vietnam relations," according to the officials.

Kiet briefed the Japanese leader on Hanoi's foreign policy emphasis on Asia, including Japan, and noted Murayama's visit to Vietnam marks the beginning of a new era of bilateral ties, the officials said. "I hope the two countries will close the door on the past and move a step toward the future together for the benefit of their people," Kiet was quoted as saying.

The premier also said he welcomes Murayama's series of remarks expressing repentance for Japan's victimization of Asia during World War II, adding this will contribute to promoting friendly relations between their two countries, they said.

Murayama, who assumed office in June as Japan's first socialist premier in nearly five decades, told Kiet his administration attaches importance to enhancing relations with its Asian neighbors. He then assured Kiet that Japan will never again become a military power under its war-renouncing constitution, the officials said.

The Japanese premier said Tokyo hopes to promote bilateral economic ties and political dialogue, and proposed vice-ministerial talks between the two countries be held at least once a year, the officials said.

Kiet hailed the startup of high-level political dialogue between the two countries and effectively agreed to accept Murayama's proposal, they said.

Murayama, who arrived in Hanoi on Thursday on the second leg of his official eight-day tour of four Southeast Asian countries, revealed a plan to invite 500 Vietnamese over five years beginning in fiscal 1995 as part of efforts to promote youth exchanges. The Japanese Government plans to invite over the five-year period a total of 750 youths from the three Indochinese countries—500 from Vietnam, and the remainder from Laos and Cambodia.

Murayama also told Kiet that Tokyo will extend about 43 million yen in grant-in-aid to Hanoi to help the Hanoi conservatory purchase musical instruments and conveyed a plan to send a mission to study the feasibility of promoting further bilateral cultural exchanges. Kiet thanked Murayama for Japan's economic assistance in the past and urged stepped-up economic cooperation, the officials said. Specifically, he expressed hope that Japan will increase official development assistance to Vietnam and boost the ratio of grants among its economic assistance to the country, they said.

Kiet also voiced hope for increased private Japanese investment in Vietnam and called on Murayama to take steps toward that effort. Murayama acknowledged the slow pace of direct investment in the country but said further efforts were needed to improve the investment infrastructure.

Murayama called on Hanoi to rectify problems arising from its legal framework, boost industrial infrastructure and cultivate human resources, according to the officials. He also proposed that the Vietnamese Government send a mission to Japan to encourage more direct private investment from Japan, they said.

After the two leaders' talks at the presidential palace, Japan and Vietnam signed agreements on Japan's grant-in-aid of up to 7.73 billion yen and the dispatch of Japanese aid workers to Vietnam. Under the accords, Tokyo will extend the grants to help Hanoi finance five projects, Japanese officials said. The projects are intended to repair the Cho Ray hospital in southern Vietnam, improve medical equipment at nine medical facilities in Hanoi and strengthen water-supply facilities in the Gia Lam district of Hanoi. Other projects are designed to improve facilities and equipment at the agriculture faculty of Can Tho University and repair or build 30 elementary schools in northern Vietnam.

Also under the agreements, the governmental Japan international cooperation agency will send workers to Vietnam as part of efforts to help the country's economic and social development, the officials said.

Vietnam is the second stop, after the Philippines, of Murayama's Asian swing. The Japanese premier will also visit Malaysia and Singapore before returning home Tuesday.

Editorial Hails 'Close Ties' With Japan

BK2508074794 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 24 Aug 94

[Editorial from 25 Aug NHAN DAN: "New Step in the Development of Vietnam-Japan Relations"]

[Text] Vietnam and Japan are two close Asian countries whose cultures share many similarities. Both countries currently wish to expand relations in various domains on the basis of equality and mutual interest to meet the requirements of each country's development program.

Reality shows that efforts to strengthen Vietnam-Japan cooperation not only serve the interests and aspirations of the two peoples, but also contribute to developing the Asia-Pacific region in line with the general trend toward promoting peace, stability, cooperation, and development in the world. In this spirit, the relations of friendship and cooperation between the two countries have been strengthened considerably in various domains over the past few years. The splendid success of Prime Minister Vo Van Kiet's official friendship visit to Japan last year along with the exchange of visits between delegations representing sectors, politicians, cultural and social workers, and businessmen of the two countries have strengthened the close ties and provided a better understanding between the two peoples.

Japan has highly appraised Vietnam's achievements in its renovation undertaking. It has positively supported and closely cooperated with and assisted Vietnam in its national development program. At present, Japan provides the largest volume of ODA [official development aid] to Vietnam; this aid amounted to $380 million in 1992 and $476 million in 1993. The Japanese Government's nonrefundable aid to Vietnam has also increased remarkably; it rose from $15 million in 1992 to $58 million in 1993. It is expected that the figure will reach more than $77 million this year.

Japan is currently Vietnam's largest trading partner. The value of two-way trade has increased consistently. The volume increased from $910 million in 1991 to $1.39 billion in 1992 and $1.8 billion in 1993. Japan ranks fifth among the countries investing in Vietnam. It has 54 projects with a total investment capital of $525 million.

In international relations, Japan has supported and positively contributed to developing relations between Vietnam and international financial and monetary organizations. It has supported and helped Vietnam participate in various regional forums.

Both countries are now making great efforts to bring their relations of friendship and cooperation to new heights and achieve concrete results, thus matching the great potential of the two countries.

Thai Defense Minister Visits Vietnam

BK2408131694 Hanoi Voice of Vietnam in English 1000 GMT 24 Aug 94

[Text] Thai Defense Minister General Wichit Sukmak arrived in Vietnam on Wednesday at the invitation of Vietnamese Defense Minister General Doan Khue.

General Wichit Sukmak, the former commander-in-chief of the royal army, has been Thai defense minister since 1992.

Meets With Le Duc Anh, Doan Khue

BK2408152394 Hanoi VNA in English 1458 GMT 24 Aug 94

[Text] Hanoi VNA August 24—Thai Minister of Defence General Wichit Sukmak and his wife arrived here today for an official friendship visit as guests of his Vietnamese counterpart, General Doan Khue.

President Le Duc Anh received the Thai guests here this afternoon. With the state president at the reception were Minister of Defence Gen. Doan Khue, Deputy Head of the General Staff of the Vietnam People's Army Lieutenant Gen. Tran Hanh, and Thai Ambassador to Vietnam Manklang Bunthan.

Gen. Wichit Sukmak expressed his wish for fine results of his visit so as to positively contribute to the understanding and friendship between the two nations. He assured the Vietnamese leader of his rejoice at Vietnam's all-sided achievements which he described as contributions to the common development in the region and the maintenance of stability in Southeast Asia.

Speaking to his guests, President Le Duc Anh expressed his belief for the development of the all-sided cooperation between Vietnam and Thailand which both wish to strive for peace, stability and development. President Anh asked Gen. Wichit Sukmak to convey his best regards to the Thai king and empress as well as to the Thai prime minister.

The same day, Minister Gen. Doan Khue cordially received his Thai counterpart and his entourage during which Gen. Doan Khue hailed the visit as a manifestation of the friendly relations strengthened by the two peoples and armies, thus making active contributions to promoting the peaceful cooperation in the region.

A banquet was given this evening by Gen. Doan Khue in honour of Gen. Wichit Sukmak and the Thai military delegation.

Vo Van Kiet Receives Australian Businessman

BK2408143194 Hanoi VNA in English 1410 GMT 24 Aug 94

[Text] Hanoi VNA August 24—Prime Minister Vo Van Kiet received here today Mr. Loton Brian, chairman of BHP Industrial Group of Australia, now on a working visit to Vietnam. At the reception, Mr. Loton Brian expressed his rejoice at the result of the first phase in Dai Hung Oilfield where BHP headed a group of foreign companies in its development, marking the realization of the promise for long-term cooperation between Vietnam and BHP. He also made clear of BHP's interest in cooperating with Vietnam in gas industry, ore exploitation and steel production.

P.M. Kiet congratulated his guest upon the pumping up of the first tonne of oil from Dai Hung Oilfield this October, and suggested a number of fields in which BHP may expand its cooperation with Vietnam in different scales. He expressed his wish for further development of the cooperation between Vietnam and BHP group in particular and Vietnam and Australia in general for the prosperity of the country.

Malian Prime Minister Keita on Official Visit

Talks With Vo Van Kiet

BK2208160294 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 22 Aug 94

[Report by station correspondent Diep Anh on the activities of visiting Malian Prime Minister Ibrahima Boubacar Keita in Hanoi on 22 August]

[Excerpt] [Passage omitted] Dear friends: following the morning welcoming ceremony, this afternoon Prime Minister Vo Van Kiet held talks with his Malian counterpart in Hanoi.

The two sides briefed each other on the politico-economic situation in their respective countries, stressing the orientations and tasks for national construction. Both sides noted with pleasure that during the past period, the two countries have scored encouraging achievements in various fields. Both sides expressed the determination to lead the national construction undertaking a step further and to improve the people's daily lives using different lines and policies which suit the unique conditions in each country.

Both sides stressed the significance of promoting cooperation between the two countries to fulfill the common objectives in national construction and development and to help each other advance further.

Afterward, Prime Minister Ibrahima Boubacar Keita paid a courtesy call on party Central Committee adviser Pham Van Dong.

Prior to his arrival in Hanoi, the Malian prime minister and his wife visited Ho Chi Minh City. During their stay, Comrade Truong Tan Sang, chairman of the city people's committee received and held a function to welcome the Malian delegation. Prime Minister Keita and his entourage visited Uncle Ho's museum and paid a floral tribute to national hero Nguyen Van Troi at his tomb.

Addresses Banquet With Vo Van Kiet

BK2308114494 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 22 Aug 94

[Report on a banquet hosted by Prime Minister Vo Van Kiet at the Government Guest House in Hanoi on evening of 22 August in honor of visiting Malian Prime Minister Ibrahima Boubacar Keita—portions recorded]

[Text] Dear friends: Prime Minister Vo Van Kiet and his wife hosted a grand banquet at the Government Guest House this evening in honor of Malian Prime Minister Ibrahima Boubacar Keita and his wife who are now on an official friendship visit to Vietnam. Also attending the banquet were Minister Le Xuan Trinh, head of the Government Office, and many Vietnamese ministers and deputy ministers.

In an atmosphere of warm friendship and fraternity, Prime Minister Vo Van Kiet delivered a speech welcoming Prime Minister Ibrahima Boubacar Keita, his wife, and other distinguished Malian guests. He praised the long-lasting tradition of solidarity between the two peoples in the months and years of the national salvation struggle as well as in the ongoing national construction cause.

In touching on the importance of bilateral ties, Prime Minister Vo Van Kiet said:

[Begin Vo Van Kiet recording] Now more than ever before, cooperation and ties among countries of the world have become a pressing and an indispensable condition for bringing into full play all potential and advantages to promote the development of all countries. In addition to the fact that we are among the developing countries, members of the Non-Aligned Movement [NAM], and francophone nations, our two countries are also bound together by close ties and traditions. Therefore, we have every possibility of taking our friendly and cooperative ties to a new stage of development for the sake of each country's growth and prosperity.

The current Vietnam visit by Your Excellency the Prime Minister is a new and important step in the development of friendly and cooperative ties between our two nations. I am pleased to note that our talks took place in a very warm atmosphere of solidarity and friendship. We are positive that our similarity of views will form the basis and driving force for taking Vietnamese-Malian relations to a new stage of development.

With that belief and in an atmosphere of Vietnamese-Malian friendship, I would like to invite all of you to raise your glasses. My best wishes for good health to His Excellency the prime minister, his wife, and other distinguished Malian guests. I wish your Vietnam visit fine success. May the friendship and multifaceted cooperation between Vietnam and Mali be consolidated and developed each passing day. I wish the Malian people happiness and prosperity. My best wishes for good health to all of you present here. [applause] [end recording]

In response to Prime Minister Vo Van Kiet's fine sentiments toward the Malian delegation, Prime Minister Ibrahima Boubacar Keita said:

[Begin Ibrahima Boubacar Keita recording in French fading into Vietnamese translation] First of all, please allow me to express my fine sentiments and pleasure in setting foot on the beautiful land of Vietnam. As His Excellency the Vietnamese prime minister put it, an age-old tradition binds Vietnam and Mali. The friendship between our two peoples has been formed through months and years of arduous struggle. We believe this visit is of great significance because it takes place in a fraternal and friendly country. The development of our two nations and our good bilateral relations are undergoing great changes based on close friendship and fraternity. This visit is very significant. First, it creates conditions for us to exchange views and promote mutual understanding. Second, it further promotes bilateral relations.

Your Excellency Prime Minister, ladies and gentlemen: We are positive that the very cordial and friendly welcome that you have accorded us and our delegation is a clear indication of the good development of Vietnamese-Malian cooperation. It is my turn to invite all of you to raise your glasses. I wish Vietnamese-Malian friendship and cooperation further development. May the friendship between Vietnam and Mali last forever. May the undertaking initiated by great President Ho Chi Minh last forever. [applause] [end recording]

Further on Talks With Vo Van Kiet

BK2308070694 Hanoi VNA in English 0530 GMT 23 Aug 94

[Text] Hanoi VNA August 22—The prime minister [P.M.] of the Republic of Mali, Mr. Ibrahima Boubacar Keita and his wife arrived in Hanoi this morning, beginning his official visit to Vietnam at the invitation of Prime Minister Vo Van Kiet.

Upon arrival, the Malian P.M. his wife and their entourage were given a red-carpet welcome by P.M. Vo Van Kiet and his wife, Cabinet Minister and Head of the Government Office Le Xuan Trinh, Finance Minister

Ho Te, Deputy Foreign Minister Nguyen Dinh Binh, and other Vietnamese senior officials and members of the diplomatic corps.

Also in the morning the two prime ministers held talks.

The Vietnamese side included Finance Minister Ho Te, Deputy Foreign Minister Nguyen Dinh Bin, Deputy Defence Minister Nguyen Thoi Bung, Deputy Head of the Government Office Nguyen Ton, Deputy Minister of Agriculture and Food Industry Ngo The Dan, Deputy Minister of Trade Mai Van Dau, Deputy Minister of Public Health Le Ngoc Trong, Assistant to the Prime Minister Nguyen Trung, and other senior officials.

With the Malian prime minister were Minister of Finance and Trade Soumaila Cisse, Malian Embassy Counselor To China Mr. Sidibe, Head of the Government Office Boubacar Keite, Military Advisor to the Prime Minister Moussa Diabate, and other Malian officials.

Speaking at the talks, Prime Minister Vo Van Kiet welcomed the Malian delegation's visit as a new development step of the multi-sided relations between the two countries, saying that it brought to the Vietnamese people the Malian people's solidarity and friendship. He also stressed that the Mali visit by Vice President Nguyen Thi Binh in February this year proved that the Vietnam-Mali relationship was being consolidated and developed.

For his part, Prime Minister I.B. Keita expressed his pleasure to pay an official friendship visit to Vietnam, to see with his own eyes the great achievements recorded by the Vietnamese people during their current renovation process. He said that this is the first visit to Vietnam by a high-level delegation from Mali in 30 years since the first one in November 1964 by late President Modibo Keita. The people of Vietnam and Mali were very proud to continue the realisation of precious instructions of both late Presidents Ho Chi Minh and Modibo Keita to foster the solidarity, fine friendship and cooperation between Mali and Vietnam.

The prime ministers informed each other of the situation in their respective countries, the gained achievements, difficulties as well as their tasks in the immediate future. They also compared notes on the international and regional issues of common concern.

The two prime ministers expressed their profound satisfaction at the fine development of the solidarity, friendly relations and cooperation between Vietnam and Mali, at the same time exchanged opinions on orientations and measures to practically boost their bilateral multi-cooperation.

The talks was conducted in an atmosphere of solidarity friendship, trust and mutual understanding.

Prime Minister I.B. Keita paid a courtesy visit here this afternoon to advisor to the party Central Committee Pham Van Dong.

The two leaders exchanged views on the bilateral relations and regional and world issues of mutual concern. They were of the same views that this visit of Prime Minister I.B. Keita was a good chance to consolidate the solidarity, friendship and cooperation between the two peoples, for the interests of each country and of the development and stability in the region and the world as a whole.

In the evening, a banquet was given in honour of Prime Minister I.B. Keita and his party by Prime Minister Vo Van Kiet and his wife.

During the banquet, the two prime ministers expressed their satisfaction over the achievements recorded by the Malian and Vietnamese peoples in their national construction, and raised toasts to the fine success of the Malian prime minister's visit and for the growing consolidation and development of the friendly relations, the solidarity and cooperation between the two countries.

Meets President Le Duc Anh

BK2308153894 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 23 Aug 94

[Text] At the Presidential Palace in Hanoi this morning, President Le Duc Anh cordially received Malian Prime Minister Ibrahima Boubacar Keita and his entourage currently on an official visit to Vietnam.

President Le Duc Anh highly appraised the Malian prime minister's visit, saying it is an important event in the relations between the two countries.

Prime Minister Ibrahima Boubacar Keita expressed his profound delight in visiting the heroic Vietnamese nation.

President Le Duc Anh asked the Malian prime minister to convey his kind regards to and an invitation for the Malian president to pay an official visit to Vietnam.

The two sides noted with satisfaction that henceforth there are more grounds for strengthening and developing the bilateral relations qualitatively, thereby helping the national reconstruction cause in each country to advance further.

This afternoon, the Malian prime minister and his entourage visited the Thang Long Dressmaking Corporation, a dynamic state-run enterprise in Hanoi. Afterward, Prime Minister Ibrahima Boubacar Keita was cordially received by Party General Secretary Do Muoi.

Received by Do Muoi

BK2408090494 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 23 Aug 94

[Text] Yesterday afternoon, 23 August, General Secretary Do Muoi cordially received Malian Prime Minister Keita, who is on an official friendship visit to our country.

Prime Minister Keita thanked the Vietnamese leaders and people for according him a very cordial welcome. He said emphatically that the Malian Government and people would always consider Vietnam a close friend and do all they can to foster the solidarity and friendship between the two peoples.

Do Muoi highly valued Prime Minister Keita's official friendship visit, considering it an important event marking a new page in the friendly and cooperative ties between the two countries.

'Successfully' Concludes Visit

BK2408131394 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 24 Aug 94

[Text] Malian Prime Minister Ibrahima Boubacar Keita and his wife have successfully concluded their Vietnam visit. A solemn official farewell ceremony was organized at the Presidential Palace this morning. On behalf of Prime Minister Vo Van Kiet, Minister Le Xuan Trinh, head of the Government Office, and many high-ranking Vietnamese government officials bade farewell to Prime Minister Keita and his wife.

Also on hand to bid farewell to Prime Minister Keita were members of the diplomatic corps in Hanoi.

Tran Duc Luong Visit To Aid East European Ties

BK2408123394 Hanoi Voice of Vietnam in English 1000 GMT 24 Aug 94

[Station commentary]

[Text] A Vietnamese Government delegation led by Deputy Prime Minister Tran Duc Luong has left for official visits to the Czech Republic, Slovakia, Romania, Hungary, and Poland. Here is review of relations between Vietnam and these five East European countries.

It is the first official visit of the Vietnamese Government to these central East European countries since 1990. Vietnam and these countries have traditional relationships. These relationships have gradually increased in accordance with the current world situation. It has been manifested through exchange of visits by leaders of these countries to Vietnam, and of Vietnamese leaders to these countries. It demonstrated both sides' determination to strengthen their ties, especially in trade.

At these visits, Vice Prime Minister Tran Duc Luong will have discussions with government leaders on immediate and long-term comprehensive cooperation with Vietnam. Vietnam will sign a number of agreements serving as a legal ground to boost bilateral ties. At the Czech Republic, the two sides have signed agreements on strengthening bilateral economic cooperation. The two sides pointed out that trade value of $10 million did not really reflect the strong traditional relations between the two countries. With these agreements, Czech will export to Vietnam materials for heavy industry, and Vietnam will export to Czech clothes and textile products. The two sides will sign agreements on investment protection and on avoiding of double taxation.

In 1993, Poland's deputy foreign and external economic relations minister visited Vietnam to explore bilateral cooperation which has great potential in coal exploitation, ocean and railway transport, engineering, light industry, shipbuilding, oil and gas exploration, and also in upgrading factories built with Polish assistance in the past. Two way trade between the two countries in 1993 was $100 million. More recently, Vietnam and Poland signed a protocol on education cooperation. At this trip, Vietnam and Poland and Hungary plan to sign agreements on investment encouragement and protection.

Vietnam hopes this trip by Deputy Prime Minister Tran Duc Luong will boost cooperation with these countries.

Signs Economic Agreement With Czech Republic

BK2508095094 Hanoi Voice of Vietnam Network in Vietnamese 0500 GMT 24 Aug 94

[Text] Czech radio revealed that on 23 August in Prague, Vietnamese Light Industry Minister Dang Vu Chu and Czech Industry and Trade Minister Vladimir Dlouhy signed an agreement to promote economic relations between the two countries.

The two ministers stated that the two way trade turnover of $10 million in 1993 did not appropriately reflect the traditionally fine relations between the two countries. The Czech Republic hopes to sell heavy industry materials to Vietnam, and Vietnam will export vegetables and fruits to Prague. The Czech industry minister said that the two bilateral agreements on investment protection and avoidance of double taxation were being prepared.

The Vietnamese Government delegation to the Czech Republic was led by Deputy Prime Minister Tran Duc Luong.

Do Muoi, Quang Ninh Leaders Discuss Development

BK2508070394 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 24 Aug 94

[Report by correspondent Dao Nguyen—read by announcer]

[Summary] Party General Secretary Do Muoi visited Quang Ninh Province from 19 to 21 August. The main purpose of General Secretary Do Muoi's visit to Quang Ninh Province was to discuss two major issues with local leaders—strategies for socioeconomic development until the year 2000 and measures to restore coal production.

"After hearing reports on achievements over the past seven months, the general secretary mentioned that Quang Ninh primarily remains an agricultural province. The province should exploit its advantages in geographical and natural resource—such as beautiful scenery and rich coal mines—to develop its external economy further, focusing mainly on the burgeoning tourism industry."

Regarding the common problem of capital shortage, Comrade Do Muoi stressed that "careful study of party Central Committee resolutions will provide many ways to mobilize capital from local business establishments and individuals, including Vietnamese living overseas and so forth."

After hearing reports by local leaders and coal company officials on the causes of the deterioration in coal production in Quang Ninh, "the general secretary advised the provincial authorities to strive to implement all measures as directed by the government to restore coal production by stepping up management and control to prevent illegal exploitation activities." The general secretary reminded them that coal exploitation should be developed in a way that does not conflict with the development of tourism in the province.

People's Councillors Elections To Be Held 20 Nov

BK2408093794 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 23 Aug 94

[Text] The National Assembly Standing Committee, the Vietnam Fatherland Front [VFF], and the Government Cadre Organization Committee jointly organized a conference from 10-11 August in Bien Hoa City, Dong Nai Province, and from 22-23 August in Hanoi to make preparations for the election of people's councillors at all levels for the 1994-99 term. The election is scheduled to take place in two separate parts of the country with provinces from Quang Nam-Da Nang southward forming the first and provinces from Thua Thien-Hue northward forming the second.

As announced by the National Assembly Standing Committee, the date for the election of people's councillors at all levels, 1994-99 term, is set for Sunday 20 November 1994. Preparations will be made in different steps. As an immediate objective, from now until 1 October, localities will form electoral councils at all levels and convene consultative conferences to discuss the composition and number of councillors. The electoral councils will also make public the lists of electoral units within this period.

From 1 October to 15 November 1994, localities will have to complete the applications to run for the election or nominate candidates to participate in the election, form electoral teams, post the lists of voters, forward the lists and records of candidates to the electoral councils, receive suggestions or complaints about voters' lists, make public the lists of candidates, receive and respond to suggestions or complaints about the lists of candidates, prepare the lists of voters, and respond to suggestions or settle complaints, if any.

The delegates discussed and raised many practical issues to ensure that the election meets specific goals and help heighten the people's awareness of their political mastership right and fulfill their duty to vote the right candidates, thereby ensuring that people's councils have complete competence and wisdom to discuss and decide on important local issues.

Government Decree Lists Range of Land Prices

BK2508101194 Hanoi Voice of Vietnam Network in Vietnamese 0500 GMT 25 Aug 94

[Text] The government has recently issued decree No. 87-CP on the price range for various types of land. Included with the decree is a price list of land.

People's committees of various provinces must use the government price list as a base for fixing prices of various land plots to calculate tax rates, especially taxes levied on the transfer of land use rights, land allocation, land leasing, land assets, and compensation for recovered land.

Prices of land determined by localities must not be lower than the minimum price or higher than the maximum price on the government price list.

The rates of leasing land to foreign organizations and individuals or to foreign invested enterprises must also be applied in accordance with government regulations.

Australia

Evans Seeks Resumption of BRA-PNG Talks

BK2508084194 Melbourne Radio Australia in English 0500 GMT 25 Aug 94

[Text] Australia has called on the Bougainville Revolutionary Army [BRA] to resume talks with the Papua New Guinea [PNG] Government on a peace framework. Australia's foreign minister, Gareth Evans, says the PNG military action at the Bougainville copper mine should not stall dialogue.

[Begin Evans recording] Formal discussions between the PNG Government and the Bougainvillian group have not taken place since the end of June. Nonetheless, informal discussions have continued between various Bougainvillian factions and PNG officials.

Senior BRA members have not so far responded to PNG Government overtures for talks. We believe that it is now imperative that the BRA join the PNG Government in establishing a framework for the resolution of the conflict, hopefully perhaps involving some assistance from the government in Honiara. This was suggested with most respect. [end recording]

Senator Evans welcomed the visit to Bougainville last month by the PNG prime minister, Mr. Wingti, and his announcement of the establishment of a human rights commission. Senator Evans told Parliament in Canberra that Australia was ready to support a resolution, provided all parties agreed on an Australian role.

Indonesia's Alatas Urges Diplomats' Protection

BK2508075894 Jakarta Radio Republik Indonesia Network in Indonesian 0000 GMT 25 Aug 94

[Text] The Indonesian diplomatic mission in Canberra is still facing harassment from certain Australian groups. The Indonesian Government has therefore asked the Australian Government to pay attention to the Geneva [as heard] Convention governing the rights and protection of foreign diplomatic missions by the host country.

Foreign Minister Ali Alatas stated this at a news conference attended by Australian and foreign correspondents in Canberra. Alatas said Indonesia issued the reminder to Australia because it has concrete evidence on the matter. Alatas made his remarks in reply to a question regarding Indonesia's response to Australia's expression of concern over several recent political issues in Indonesia, including the East Timor issue.

Evans: Somalia Mission Under 'Close Review'

BK2508023394 Melbourne Radio Australia in English 0100 GMT 25 Aug 94

[Text] The future of Australian troops in Somalia is under review because of deteriorating security conditions. Michael Roland reports concerns have heightened following the killing this week of seven United Nations soldiers by Somali gunmen.

[Begin recording] [Roland] Foreign Minister Gareth Evans says a lot of hard thinking is taking place in countries that have contributed troops to the UN Somalia operation.

[Evans] Now the whole situation in Somalia is obviously under very close review at the moment because it is distressingly the case that there has not been any significant progress and, in fact, some deterioration. [end recording]

Senator Evans says the only significant component in the Australian force in Somalia—a group of air traffic controllers—may now be capable of being replaced by locals. The minister has stressed there was a time limit on Australia's commitment and all decisions are being taken with this in mind.

Opposition Criticizes Government Budget Policy

BK2508101594 Melbourne Radio Australia in English 0500 GMT 25 Aug 94

[Text] The federal opposition has called on the government to rethink its budget following the latest comments from the Reserve Bank that the government must do more to cut the budget deficit. The federal bank's annual report warns that failing to wind back the deficit could mean higher interest rates than otherwise necessary. The Reserve Bank hopes the government can do better than its planned deficit reduction taking it below the target of one percent of gross domestic product by 1996-97. Opposition treasury spokesman, Peter Costello has seized on the bank's comments, saying they back the coalition's criticism of the government's policy.

[Begin Costello recording] Well, look, the May budget is now completely out of date. It was wrong in May, it's even wronger now and that's why it is important for the government to turn around and do it again. You see, the May budget was all about the expansionary, heating up the economy. Mr Fraser's interest rate rise is all about turning down the heat in the economy. [end recording]

Meanwhile, the governor of the Reserve Bank, Bernie Fraser, has reaffirmed that wage control is the key to keeping Australia's inflation rate at a manageable level. Mr. Fraser has told a meeting of Asian investors in the American west coast city of Los Angeles that conditions have changed since the 1980s when a blowout in wages fueled spiraling inflation. He says a decade ago protectionism allow business to pass on wage costs to consumers because of lack of competition. However, Mr Fraser says employers and workers now understand the rules have changed.

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